BOSTON PROPERTIES INC
Form 424B3
June 29, 2006
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Registration No. 333-135189

Prospectus

BOSTON PROPERTIES, INC.

253,860 Shares of Common Stock

The selling stockholders of Boston Properties, Inc. identified in this prospectus, and any of their pledgees, donees, transferees and other successors in interest, may from time to time offer to sell up to 253,860 shares of common stock of Boston Properties, Inc. under this prospectus. The selling stockholders may only offer the common stock for sale if they exercise their right to tender their limited partnership units, or common units, of Boston Properties Limited Partnership, our operating partnership, for cash, and we exercise our right to issue common stock to them instead of cash. We are filing the registration statement of which this prospectus is a part at this time to fulfill a contractual obligation to do so, which we undertook at the time of the original issuance of the common units. We will not receive any of the proceeds from the sale of the common stock by the selling stockholders but, in fulfillment of our contractual obligations, we are bearing the expenses of registration.

Our common stock is listed on the New York Stock Exchange under the symbol BXP. On June 28, 2006 the last reported sale price of our common stock on the New York Stock Exchange was $87.68.

Investing in our securities involves various risks. In our Annual Report on Form 10-K for the year ended December 31, 2005, which is incorporated by reference in this prospectus, we identify and discuss several risk factors that you should consider before investing in our securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is June 29, 2006.

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PROSPECTUS SUMMARY

This summary only highlights the more detailed information appearing elsewhere in this prospectus or incorporated herein by reference. As this is a summary, it may not contain all information that is important to you. You should read this entire prospectus carefully before deciding whether to invest in our common stock.

As used in this prospectus and the registration statement on Form S-3 of which this prospectus is a part, unless the context otherwise requires, the terms we, us, our, Boston Properties and the Company refer to Boston Properties, Inc., a Delaware corporation organized in 1997, individually or together with its subsidiaries, including Boston Properties Limited Partnership, a Delaware limited partnership, and our predecessors.

Our Company

We are a fully integrated self-administered and self-managed real estate investment trust, or REIT, and one of the largest owners and developers of office properties in the United States. Our properties are concentrated in five markets Boston, Washington, D.C., midtown Manhattan, San Francisco and Princeton, N.J. We conduct substantially all of our business through our subsidiary, Boston Properties Limited Partnership. At March 31, 2006, we owned or had interests in a portfolio of 123 properties, totaling approximately 42.7 million net rentable square feet, including four properties under construction and one redevelopment/expansion project collectively totaling approximately 1.2 million net rentable square feet, and structured parking for approximately 32,925 vehicles containing approximately 9.6 million square feet. As of March 31, 2006, our properties consisted of:

- 119 office properties comprised of 101 Class A office properties (including four properties under construction) and 18 office/technical properties;
- two hotels; and
- two retail properties.

We own or control undeveloped land totaling approximately 522.3 acres. In addition, we have a 25% interest in the Boston Properties Office Value-Added Fund, L.P., which we refer to as the Value-Added Fund, which is a strategic partnership with two institutional investors through which we intend to pursue the acquisition of assets within our existing markets that have deficiencies in property characteristics which provide an opportunity to create value through repositioning, refurbishment or renovation. Our investments through the Value-Added Fund are not included in our portfolio information tables or any other portfolio level statistics.

We are a full-service real estate company, with substantial in-house expertise and resources in acquisitions, development, financing, capital markets, construction management, property management, marketing, leasing, accounting, tax and legal services. Our principal executive office is located at 111 Huntington Avenue, Boston, Massachusetts 02199 and our telephone number is (617) 236-3300. In addition, we have regional offices at 901 New York Avenue, NW, Washington, D.C. 20001; 599 Lexington Avenue, New York, New York 10022; Four Embarcadero Center, San Francisco, California 94111; and 302 Carnegie Center, Princeton, New Jersey 08540.

The Offering

This prospectus relates to up to 253,860 shares of our common stock that may be offered for sale by the selling stockholders if, and to the extent that, they exercise their right to tender their limited partnership units, or common units, of Boston Properties Limited Partnership for cash, and we exercise our right to issue common stock to them instead of cash. Boston Properties Limited Partnership originally issued these common units to the selling stockholders in connection with the commencement of construction of 505 9th Street in Washington, D.C. on September 26, 2005. The selling stockholders are the owners of our joint venture partner in the joint venture that owns 505 9th Street and the common units issued to them constituted a portion of the consideration for our

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50% interest in the joint venture. In connection with the issuance of common units, we entered into a registration rights and lock-up agreement with the selling stockholders. Under the terms of that agreement, the selling stockholders can not tender for redemption the common units until on or after September 26, 2006. We are registering the common stock covered by this prospectus in order to fulfill our contractual obligations under the registration rights and lock-up agreement. Registration of the common stock does not necessarily mean that all or any portion of such stock will be offered for sale by the selling stockholders.

We have agreed to bear the expenses of the registration of the common stock under federal and state securities laws, but we will not receive any proceeds from the sale of any common stock offered under this prospectus.

Our Tax Status

We have elected to qualify as a real estate investment trust under Sections 856 through 860 of the Internal Revenue Code. As long as we qualify for taxation as a real estate investment trust, we generally will not be subject to federal income tax on that portion of our ordinary income and capital gains that is currently distributed to our stockholders. Even if we qualify for taxation as a real estate investment trust, we may be subject to state and local taxes on our income and property and to federal income and excise taxes on our undistributed income and on any activities conducted through any taxable REIT subsidiaries of ours.

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WHERE YOU CAN FIND MORE INFORMATION

We are subject to the information requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act), and in accordance with the Exchange Act, we file annual, quarterly, and current reports, proxy statements, and other information with the SEC. You may read and copy any document we file at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. Our SEC filings are also available to the public from the SEC s website at http://www.sec.gov. In addition, you may read our SEC filings at the offices of the New York Stock Exchange (the NYSE), which is located at 20 Broad Street, New York, New York 10005. Our SEC filings are available at the NYSE because our common stock is traded on the NYSE under the symbol of BXP.

We have a website located at http://www.bostonproperties.com. The information on our website is not a part of this prospectus.

INFORMATION INCORPORATED BY REFERENCE

The SEC allows us to incorporate by reference the information we file with the SEC, which means that we can disclose important information to you by referring you to these documents. The information incorporated by reference is an important part of this prospectus, and information that we file later with the SEC will automatically update and supersede the information already incorporated by reference. Our SEC file number is 1-13087. We are incorporating by reference the documents listed below, which we have already filed with the SEC:

- our Annual Report on Form 10-K for the year ended December 31, 2005 filed on March 16, 2006;
- our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2006 filed on May 10, 2006;
- our Current Reports on Form 8-K filed on March 30, 2006, April 6, 2006, May 1, 2006 and June 6, 2006;
- the description of our common stock contained in our Registration Statement on Form 8-A filed on June 12, 1997, including any amendments and reports filed for the purpose of updating such description; and
- the description of the rights to purchase shares of our Series E Junior Participating Cumulative preferred stock contained in our registration statement on Form 8-A, filed on June 12, 1997, and the description contained in our registration statement on Form 8-A/A filed on June 16, 1997 amending the description, and all amendments and reports updating that description.

Upon request, we will provide, without charge, to each person, including any beneficial owner, to whom a copy of this prospectus is delivered a copy of the documents incorporated by reference in this prospectus. You may request a copy of these filings, and any exhibits we have specifically incorporated by reference as an exhibit in this prospectus, by writing or telephoning us at the following:

Boston Properties, Inc.

111 Huntington Avenue

Boston, Massachusetts 02199-7610

Attention: Investor Relations

(617) 236-3300

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This prospectus is part of a registration statement we filed with the SEC. We have incorporated exhibits into the registration statement. You should read the exhibits carefully for provisions that may be important to you.

You should rely only on the information incorporated by reference or provided in this prospectus or any prospectus supplement. We have not authorized anyone to provide you with different or additional information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information in this prospectus or in the documents incorporated by reference is accurate as of any date other than the date on the front of this prospectus or the date of the applicable documents.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including the information incorporated by reference into this prospectus, and any accompanying prospectus supplement, contain forward-looking statements within the meaning of the federal securities laws. We caution investors that any forward-looking statements contained in this prospectus or any of the documents incorporated by reference, or which management may make orally or in writing from time to time, are based on management s beliefs and on assumptions made by, and information currently available to, management. When used, the words anticipate, believe, estimate, expect, intend, may, might, plan, project, result, should, will, and similar expressio solely to historical matters are intended to identify forward-looking statements. Such statements are subject to risks, uncertainties, and assumptions and are not guarantees of future performance, which may be affected by known and unknown risks, trends, uncertainties, and factors that are beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, or projected. We caution you that, while forward-looking statements reflect our good faith beliefs when we make them, they are not guarantees of future performance and are impacted by actual events when they occur after we make such statements. We expressly disclaim any responsibility to update our forward-looking statements, whether as a result of new information, future events, or otherwise. Accordingly, investors should use caution in relying on past forward-looking statements, which are based on results and trends at the time they are made, to anticipate future results or trends.

Some of the risks and uncertainties that may cause our actual results, performance, or achievements to differ materially from those expressed or implied by forward-looking statements include, among others, the following:

general risks affecting the real estate industry (including, without limitation, the inability to enter into or renew leases, dependence on tenants financial condition, and competition from other developers, owners, and operators of real estate);

risks associated with the availability and terms of financing and the use of debt to fund acquisitions and developments including the risk associated with interest rates impacting the cost and/or availability of financing;

risks associated with forward interest rate contracts and the effectiveness of such arrangements;

failure to manage effectively our growth and expansion into new markets and submarkets or to integrate acquisitions successfully;

risks and uncertainties affecting property development and construction (including, without limitation, construction delays, cost overruns, inability to obtain necessary permits, and public opposition to such activities);

risks associated with downturns in the national and local economies, increases in interest rates, and volatility in the securities markets;

risks associated with actual or threatened terrorist attacks;

risks associated with the impact on our insurance program if the Terrorism Risk Insurance Act, or TRIA, which expires on December 31, 2007, is not extended or is extended on different terms;

costs of compliance with the Americans with Disabilities Act and other similar laws;

potential liability for uninsured losses and environmental contamination;

risks associated with our potential failure to qualify as a real estate investment trust under the Internal Revenue Code of 1986, as amended, and possible adverse changes in tax and environmental laws;

risks associated with possible state and local tax audits;

risks associated with our dependence on key personnel whose continued service is not guaranteed; and

the other risk factors identified our Annual Report on Form 10-K for the year ended December 31, 2005, as well as in our other reports filed from time to time with the SEC and any prospectus supplement.

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The risks included here are not exhaustive and you should be aware that there may be other factors which could adversely affect our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Investors should also refer to our annual reports on Form 10-K and our quarterly reports on Form 10-Q for future periods and current reports on Form 8-K as we file them with the SEC, and to other materials we may furnish to the public from time to time through Forms 8-K or otherwise. We expressly disclaim any responsibility to update any forward-looking statements to reflect changes in underlying assumptions or factors, new information, future events, or otherwise, and you should not rely upon these forward-looking statements after the date of this report.

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USE OF PROCEEDS

We will not receive any of the proceeds of the sale by selling stockholders of the common stock covered by this prospectus. See the section entitled Selling Stockholders beginning on page 34 for a list of those persons and entities receiving proceeds from the sale of the shares of common stock.

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DESCRIPTION OF COMMON STOCK

The following is a summary of the material terms and provisions of our common stock. It may not contain all the information that is important to you. You can access complete information by referring to our certificate of incorporation, bylaws, our shareholder rights plan and the Delaware General Corporation Law. Our shareholder rights plan is summarized below. Our shareholder rights plan, certificate of incorporation and bylaws are incorporated by reference into the registration statement of which this prospectus is a part.

General

Under our certificate of incorporation, we have authority to issue 250,000,000 shares of common stock, par value $.01 per share. As of March 31, 2006, there were:

- 112,813,657 shares of our common stock issued and outstanding;
- 21,167,704 common units of partnership interest in Boston Properties Limited Partnership issued and outstanding (other than the common units held by Boston Properties, Inc.), each of which is redeemable for one share of our common stock (if we elect to issue common stock rather than pay cash upon such redemption);
- 374,119 long term incentive units of partnership interest in Boston Properties Limited Partnership issued and outstanding pursuant to the Long-Term Incentive Plan, each of which, upon the satisfaction of certain conditions, is convertible into one common unit; and
- 3,701,335 Series Two preferred units of partnership interest in Boston Properties Limited Partnership issued and outstanding, each of which is currently convertible into approximately 1.312336 common units (or a total of 4,857,395 common units).

We may issue common stock from time to time. Our board of directors must approve the amount of stock we sell and the price for which it is sold. Holders of our common stock do not have any preferential rights or preemptive rights to buy or subscribe for capital stock or other securities that we may issue. However, each outstanding share of our common stock currently has attached to it one preferred stock purchase right issued under our shareholder rights plan, which is summarized below. Our common stock does not have any redemption or sinking fund provisions or any conversion rights.

All of our common stock, when issued, will be duly authorized, fully paid and nonassessable. This means that the full price for our outstanding common stock will have been paid at the time of issuance and that any holder of our common stock will not later be required to pay us any additional money for our common stock.

Dividends

Subject to the preferential rights of any other shares of our stock and the provisions of our certificate of incorporation regarding excess shares, holders of our common stock may receive dividends out of assets that we can legally use to pay dividends when and if they are authorized and declared by our board of directors. In the event we are liquidated, dissolved or our affairs are wound up, each common stockholder shares in the same proportion as other common stockholders out of assets that we can legally use to pay distributions after we pay or make adequate provision for all of our known debts and liabilities.

Voting rights

Subject to the provisions of our certificate of incorporation regarding excess shares, holders of common stock will have the exclusive power to vote on all matters presented to our stockholders, including the election of directors, except as otherwise provided by Delaware law or as provided with respect to any other shares of our stock. Holders of our common stock are entitled to one vote per share. There is no cumulative voting in the

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election of our directors. Generally, all matters to be voted on by stockholders must be approved by a majority, or, in the case of the election of directors, by a plurality, of the votes present in person or represented by proxy and entitled to vote at a meeting at which a quorum is present, subject to any voting rights granted to holders of any then outstanding preferred stock.

Other rights

Subject to the provisions of our certificate of incorporation regarding excess shares, all shares of our common stock have equal dividend, distribution, liquidation and other rights, and have no preference, appraisal or exchange rights, except for any appraisal rights provided by Delaware law.

Delaware law generally requires that we obtain the approval of a majority of the outstanding shares of our common stock that are entitled to vote before we may consolidate our stock or merge with another corporation. However, Delaware law does not require that we seek approval of our stockholders to enter into a merger in which we are the surviving corporation following the merger if:

- our certificate of incorporation is not amended in any respect by the merger;
- each share of our stock outstanding prior to the merger is to be an identical share of stock following the merger; and
- any shares of common stock (together with any other securities convertible into shares of common stock) to be issued or delivered as a result of the merger represent in the aggregate no more than 20% of the number of shares of our common stock outstanding immediately prior to the merger.

Restrictions on ownership

For us to qualify as a real estate investment trust under the Internal Revenue Code, no more than 50% in value of our outstanding stock may be owned, actually or constructively, by five or fewer individuals during the last half of a taxable year. To assist us in meeting this requirement, we may take actions including the automatic conversion of shares in excess of this ownership restriction into excess shares to limit the ownership of our outstanding equity securities, actually or constructively, by one person or entity. See the section entitled Limits on Ownership of Our Stock beginning on page 12.

Transfer agent

The transfer agent and registrar for our common stock is Computershare Trust Company, N.A. (f.k.a. EquiServe Trust Company, N.A.).

Preferred shares

Under our certificate of incorporation, we have authority to issue up to 50,000,000 shares of preferred stock. We do not have any preferred stock outstanding as of the date of this prospectus. We may issue preferred stock from time to time, in one or more series, as authorized by our board of directors. Prior to issuance of shares of each series, our board of directors is required by the Delaware General Corporation Law and our certificate of incorporation to fix for each series, subject to the provisions of our certificate of incorporation regarding excess shares, the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption, as are permitted by Delaware law. The preferred stock will, when issued, be fully paid and nonassessable and will have no preemptive rights. Our board of directors could authorize the issuance of preferred stock with terms and conditions that could have the effect of discouraging a takeover or other transaction that holders of our common stock might believe to be in their best interests or in which holders of some, or a majority, of our common stock might receive a premium for their shares over the then market price of our common stock.

Under our certificate of incorporation, we have authority to issue up to 200,000 shares of Series E junior participating cumulative preferred stock. At March 31, 2006, none of the Series E junior participating cumulative preferred stock were issued or outstanding. Shares of our Series E junior participating cumulative preferred stock may be issued under our shareholder rights plan, which is summarized below.

Shareholder rights plan

In 1997, our board of directors adopted a shareholder rights plan and entered into a shareholder rights agreement with Computershare Trust Company, N.A. (successor agent to BankBoston, N.A.), as rights agent. The rights may discourage, delay or prevent hostile takeovers. They are not intended, however, to interfere with any merger or other business combination approved by our board of directors.

Under our shareholder rights plan, one preferred stock purchase right is attached to each outstanding share of our common stock. We refer to these preferred stock purchase rights as the rights. Each share of common stock issued in the future will also receive a right until any of the rights become exercisable. Until a right is exercised, the holder of a right does not have any additional rights as a stockholder. These rights will expire on June 16, 2007, unless previously redeemed or exchanged by us as described below. These rights trade automatically with our common stock and will separate from the common stock and become exercisable only under the circumstances described below.

In general, the rights will separate from our common stock and become exercisable when the first of the following events happens:

(1) ten calendar days after a public announcement that a person or a group of affiliated or associated persons has acquired beneficial ownership of more than 15% of the sum of our outstanding common stock and excess stock, the date of such public announcement being referred to as a stock acquisition date; or

(2) ten business days, or such other date determined by our board of directors, after the beginning of a tender offer or exchange offer that would result in a person or group beneficially owning more than 15% of the sum of our outstanding common stock and excess stock.

Under our shareholder rights plan, shares of our common stock that may be issued upon redemption of outstanding common units of limited partnership interest in Boston Properties Limited Partnership are not included in the definition of beneficial ownership.

However, if a person who became a limited partner of Boston Properties Limited Partnership at the time of our initial public offering acquires beneficial ownership of more than 15% of the sum of our common stock and excess stock, the rights will not become exercisable unless the acquisition results in that person acquiring a percentage of the outstanding shares of our outstanding common stock plus outstanding common units of limited partnership interest of Boston Properties Limited Partnership that is greater than the percentage of outstanding shares of common stock plus outstanding common units of limited partnership interest of Boston Properties Limited Partnership that such person held at the completion of our initial public offering. In addition, no group of which Messrs. Zuckerman or E. Linde, any of their respective heirs, legatees or devisees, or any other person whose beneficial ownership of shares of our common stock would be attributed to Mr. Zuckerman and Mr. E. Linde, respectively, under the Internal Revenue Code, will be deemed to beneficially own any of our securities owned by that person. Common units of limited partnership interest of Boston Properties Limited Partnership held by Boston Properties, Inc. are excluded in making these calculations.

If the rights become exercisable, holders of the rights will be able to purchase from us a unit of preferred stock equal to one one-thousandth of a share of our Series E junior participating cumulative preferred stock at a cash exercise price of $100 per unit, subject to adjustment. We have designated 200,000 shares of Series E junior participating cumulative preferred stock and have reserved these shares for issuance under our shareholder rights plan. However, all rights owned by any persons or groups triggering the event shall be void.

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In the event that a stock acquisition date occurs, the rights (other than those held by the person or group triggering the stock acquisition date, whose rights will become null and void) will be exercisable for units of our Series E junior participating cumulative preferred stock having a market value of two times the exercise price of the rights.

In addition, if at any time following a stock acquisition date:

- we enter into a merger or other business combination transaction in which we are not the surviving entity;
- we enter into a merger or other business combination transaction in which all or part of our common stock is exchanged for stock or other securities of any other person or cash or any other property; or
- we sell, transfer or mortgage 50% or more of our assets or earning power;

then each holder of a right, other than rights held by the person or group who triggered the event, will be entitled to receive, upon exercise, common stock of the acquiring company having a market value equal to two times the exercise price of the right.

At any time on or after the date on which the rights separate and become exercisable, our board of directors may, at its option, exchange all or any part of the then outstanding and exercisable rights for shares of our common stock or units of Series E junior participating cumulative preferred stock at an exchange ratio of one share or one unit per right. However, our board of directors generally will not be empowered to effect an exchange at any time after any person becomes the beneficial owner of 50% or more of our outstanding common stock.

We may redeem the rights in whole, but not in part, at a price of $.001 per right at any time before the earlier of (1) the date that is ten calendar days after a stock acquisition date or (2) the expiration date of the rights plan. The rights will expire at the close of business on June 16, 2007 unless we redeem them before that date.

We may, in our sole discretion, amend any provision of the rights agreement until the rights become exercisable. After the rights become exercisable, we may, subject to specified limitations, amend the rights agreement only to cure any ambiguity, defect or inconsistency, to shorten or lengthen any time period, or to make changes that do not adversely affect the interests of the holders of the rights.

The above description of our shareholder rights plan is not intended to be a complete description. For a full description of the shareholder rights plan, you should read the rights agreement. The foregoing description of shareholder rights plan is qualified in its entirety by reference to the rights agreement. A copy of the shareholder rights plan has been filed with the SEC and is incorporated herein by reference.

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LIMITS ON OWNERSHIP OF OUR STOCK

Ownership limits

For us to qualify as a real estate investment trust under the Internal Revenue Code, among other things, not more than 50% in value of our outstanding stock may be owned, actually or constructively, by five or fewer individuals during the last half of a taxable year (other than the first year), and our outstanding stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months (other than the first year) or during a proportionate part of a shorter taxable year. In order to protect us against the risk of losing our status as a real estate investment trust and to otherwise protect us from the consequences of a concentration of ownership among our stockholders, our certificate of incorporation provides that generally no holder may beneficially own more than 6.6% of any class or series of our stock. Under our certificate of incorporation, a person generally beneficially owns shares if:

- the person has direct ownership of the shares;
- the person has indirect ownership of the shares taking into account the constructive ownership rules of Section 544 of the Internal Revenue Code, as modified by Section 856(h)(1)(B) of the Internal Revenue Code; or
- the person would be deemed to beneficially own the shares pursuant to Rule 13d-3 under the Securities Exchange Act of 1934, as amended.

Our certificate of incorporation provides two exceptions to the 6.6% ownership limit.

15% Related Party Ownership Limit

Each of Messrs. Zuckerman and E. Linde, together with his respective heirs, legatees, devisees and any other person whose beneficial ownership of shares of our common stock would be attributed to him under the Internal Revenue Code, is subject to an ownership limit of 15%.

15% Look-Through Entity Ownership Limit

Trusts described in Section 401(a) of the Internal Revenue Code and exempt from tax under Section 501(a) of the Internal Revenue Code, as modified by Section 856(h)(3) of the Internal Revenue Code, and entities registered under the Investment Company Act of 1940 are subject to an ownership limit of 15%. These types of entities are among the entities that are not treated as stockholders under the requirement that not more than 50% in value of our outstanding stock be owned by five or fewer individuals during the last half of a taxable year other than our first year. Rather, the beneficial owners of these entities will be counted as stockholders for this purpose.

Additionally, our board of directors may, in its sole discretion, waive the foregoing ownership limits if evidence satisfactory to the board of directors is presented that the changes in ownership will not jeopardize our status as a real estate investment trust and the board of directors otherwise determines that such action is in our best interests.

These ownership limitations may have the effect of precluding the acquisition of control of our company.

Shares in excess of ownership limits

Purported transfers of our stock or beneficial ownership of our stock that would result in:

- any person violating the ownership limit applicable to that person;

our stock being beneficially owned by fewer than 100 persons;

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- Boston Properties, Inc. being closely held with the meaning of Section 856(h) of the Internal Revenue Code; or

- Boston Properties, Inc. constructively owning 10% or more of one of our tenants,

shall be null and void and of no effect with respect to the number of shares of stock that would cause such result. These shares will be converted automatically into an equal number of shares of our excess stock that will be transferred by operation of law to a trust for the benefit of a qualified charitable organization selected by us. Additionally, events other than purported transfers that would result in the occurrence of any of the events described above will result in a number of shares of stock sufficient to prevent the occurrence of such event converting into an equal number of shares of our excess stock and being transferred to the trust. As soon as practicable after the transfer of shares to the trust, the trustee of the trust will be required to sell the excess stock to a person who could own the shares without violating the applicable limits and distribute to the original transferee-stockholder an amount equal to the lesser of:

- the proceeds of the sale; or

- the price paid by the original transferee-owner for the shares of our stock that converted into excess stock in the purported transfer that triggered such conversion or, if the event that triggered the conversion of shares into excess stock was a gift or an event other than a transfer, the market price of the shares of our stock that converted into excess stock on the date of such event, which will be determined in the manner set forth in our certificate of incorporation.

All dividends and other distributions received with respect to the excess stock prior to their sale by the trust and any proceeds from the sale by the trust in excess of the amount distributable to the original transferee-owner will be distributed to the beneficiary of the trust.

The foregoing restrictions will not apply if our board of directors determines that it is no longer in our best interests to attempt to, or to continue to, qualify as a real estate investment trust.

Right to purchase excess shares

In addition to the foregoing transfer restrictions, we have the right, for a period of 90 days during the time any shares of excess stock are held by the trust, to purchase all or any portion of these shares for the lesser of:

- the price paid by the original transferee-owner for the shares of our stock that converted into excess stock in the purported transfer that triggered such conversion or, if the event that triggered the conversion of shares into excess stock was a gift or an event other than a transfer, the market price of the shares of our stock that converted into excess stock on the date of such event, which will be determined in the manner set forth in our certificate of incorporation; or

- the market price of our stock on the date we exercise our option to purchase, which will be determined in the manner set forth in our certificate of incorporation.

The 90-day period begins on the date of the purported transfer or other event that resulted in the conversion of shares into excess stock if the original transferee-stockholder gives notice to us of such event or, if no notice is given, the date on which our board of directors determines that such event has occurred.

Disclosure of stock ownership by our stockholders

Each of our stockholders will be required to disclose to us upon demand in writing any information we may request to determine our status as a real estate investment trust and ensure compliance with the ownership limits.

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IMPORTANT PROVISIONS OF DELAWARE LAW, OUR CERTIFICATE OF INCORPORATION AND BYLAWS AND OTHER GOVERNANCE DOCUMENTS

The following is a summary of important provisions of Delaware law, our certificate of incorporation and bylaws and other governance documents which affect us and our stockholders. The description below is intended as only a summary. You can access complete information by referring to the Delaware General Corporation Law, our certificate of incorporation and bylaws and the other governance documents referred to in this section.

Business combinations with interested stockholders under Delaware law

Section 203 of the Delaware General Corporation Law prevents a publicly held corporation from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

- before the date on which the person became an interested stockholder, the board of directors of the corporation approved either the business combination or the transaction which resulted in the person becoming an interested stockholder;

- the interested stockholder owned at least 85% of the outstanding voting stock of the corporation at the time the transaction commenced, excluding stock held by directors who are also officers of the corporation and by employee stock plans that do not provide participants with the rights to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

- at or after the date on which the person became an interested stockholder, the business combination is approved by the board of directors and the holders of at least two-thirds of the voting stock of the corporation voting at a meeting, excluding the voting stock owned by the interested stockholder.

As defined in Section 203, the term interested stockholder is generally (1) a person who, together with affiliates and associates, owns 15% or more of a corporation s outstanding voting stock or (2) a person who is an affiliate or associate of the corporation and was, together with affiliates and associates, the owner of 15% or more of a corporation s outstanding voting stock within the past three years. As defined in Section 203, a business combination includes mergers, consolidations, stock and assets sales and other transactions with the interested stockholder.

The provisions of Section 203 may have the effect of delaying, deferring or preventing a change of control of our company.

Amendment of our certificate of incorporation and bylaws

Amendments to our certificate of incorporation must be approved by the affirmative vote of more than 75% of the directors then in office and generally by the vote of a majority of the votes entitled to be cast at a meeting of our stockholders. However, the affirmative vote of not less than 75% of our outstanding shares entitled to vote thereon, voting together as a single class, and the affirmative vote of not less than 75% of the outstanding shares of each class entitled to vote thereon, is required for amendments dealing with fundamental governance provisions of our certificate of incorporation, including provisions relating to:

- stockholder action;

- the powers, election of, removal of and classification of directors;

- limitation of liability; and

amendment of our bylaws or certificate of incorporation.

Unless otherwise required by law, our board of directors may amend our bylaws by a majority vote of our directors then in office. Our bylaws may also be amended at a meeting of stockholders by the affirmative vote of

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a majority of the shares present in person or represented by proxy at the meeting and entitled to be cast on such amendment, voting together as a single class, if our board of directors recommends the approval of the amendment. Otherwise our bylaws may be amended at a meeting of stockholders by the affirmative vote of at least 75% of the outstanding shares of capital stock entitled to vote on such amendment, voting together as a single class.

Meetings of stockholders

Under our bylaws, we will hold annual meetings of our stockholders at a date and time as determined by our board of directors, Chairman or President. Our bylaws require advance notice for our stockholders to make nominations of candidates for our board of directors or bring other business before an annual meeting of our stockholders. Only our board of directors can call special meetings of our stockholders and any special meeting is restricted to considering and acting upon matters set forth in the notice of that special meeting.

Board of directors

Our board of directors is divided into three classes. As the term of each class expires, directors will be elected to that class for a term of three years and until their successors are duly elected and qualified.

Our certificate of incorporation provides that the affirmative vote of more than 75% of the directors then in office is required to approve fundamental transactions or actions, including:

- a change of control of Boston Properties, Inc. or of Boston Properties Limited Partnership;
- any amendment to the limited partnership agreement of Boston Properties Limited Partnership;
- any waiver of the limitations on ownership contained in our certificate of incorporation;
- any merger, consolidation or sale of all or substantially all of the assets of Boston Properties, Inc. or of Boston Properties Limited Partnership;
- certain issuances of equity securities by Boston Properties, Inc. (but not including, among others, underwritten public offerings);
- Boston Properties, Inc. or Boston Properties Limited Partnership making a general assignment for the benefit of creditors or instituting any proceedings in bankruptcy or for the liquidation, dissolution, reorganization or winding up of either entity or consenting to the taking of any of these actions against either entity;
- any amendment of our certificate of incorporation;
- Boston Properties, Inc. conducting business other than through Boston Properties Limited Partnership, or for either of them to engage in any business other than the ownership, construction, development, management and operation of commercial real estate properties; and
- termination of our status as a REIT.

Shareholder rights plan and ownership limitations

We have adopted a shareholder rights agreement. In addition, our certificate of incorporation contains provisions that limit the ownership by any person of shares of any class or series of our capital stock. See the section entitled Description of Common Stock Shareholder rights plan beginning on page 10 and the section entitled Limits on Ownership of Our Stock beginning on page 12.

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Limitation of directors and officers liability

Our certificate of incorporation generally limits the liability of our directors to us to the fullest extent permitted by Delaware law, as it now exists or may in the future be amended. The Delaware General Corporation Law permits a corporation to indemnify its directors, officers, employees or agents and expressly provides that the indemnification provided for under the Delaware General Corporation Law shall not be deemed exclusive of any indemnification right under any bylaw, agreement, vote of stockholders or disinterested directors, or otherwise. Delaware law permits indemnification against expenses and certain other liabilities arising out of legal actions brought or threatened against these persons for their conduct on behalf of a corporation, provided that each such person acted in good faith and in a manner that he or she reasonably believed was in or not opposed to the corporation s best interests and, in the case of a criminal proceeding, provided each person had no reasonable cause to believe his or her conduct was unlawful. Delaware law does not allow indemnification of directors in the case of an action by or in the right of a corporation unless the directors successfully defend the action or indemnification is ordered by the court.

Our bylaws provide that our directors and officers will be, and, in the discretion of our board of directors, non-officer employees may be, indemnified by us to the fullest extent authorized by Delaware law, as it now exists or may in the future be amended, against all expenses and liabilities actually and reasonably incurred in connection with service for or on behalf of our company. Our bylaws also provide that the right of directors and officers to indemnification shall be a contract right and shall not be exclusive of any other right now possessed or hereafter acquired under any bylaw, agreement, vote of stockholders, or otherwise.

Our certificate of incorporation contains a provision permitted by Delaware law that generally eliminates the personal liability of directors for monetary damages for breaches of their fiduciary duty, including breaches involving negligence or gross negligence in business combinations, unless the director has breached his or her duty of loyalty, failed to act in good faith, engaged in intentional misconduct or a knowing violation of law, paid a dividend or approved a stock repurchase in violation of the Delaware General Corporation Law or obtained an improper personal benefit. This provision does not alter a director s liability under the federal securities laws. In addition, this provision does not affect the availability of equitable remedies, including an injunction or rescission, for breach of fiduciary duty.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors, officers or persons controlling our company pursuant to the foregoing provisions, we have been informed that in the opinion of the staff of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933, as amended, and is therefore unenforceable.

Indemnification agreements

We have entered into indemnification agreements with each of our directors and some of our officers. The indemnification agreements require, among other things, that we indemnify our directors and officers to the fullest extent permitted by law and advance to our directors and officers all related expenses, subject to reimbursement if it is subsequently determined that indemnification is not permitted. Under these agreements, we must also indemnify and advance all expenses incurred by our directors and officers seeking to enforce their rights under the indemnification agreements and may cover our directors and officers under our directors and officers liability insurance. Although the form of indemnification agreement offers substantially the same scope of coverage afforded by law, it provides greater assurance to our directors and officers that indemnification will be available, because, as a contract, it cannot be modified unilaterally in the future by our board of directors or stockholders to eliminate the rights it provides.

Boston Properties Limited Partnership Agreement

We have agreed in the limited partnership agreement of Boston Properties Limited Partnership not to engage in specified extraordinary transactions, including, among others, business combinations, unless limited

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partners of Boston Properties Limited Partnership, other than Boston Properties, Inc., receive, or have the opportunity to receive, either (1) the same consideration for their partnership interests as holders of our common stock in the transaction or (2) limited partnership units that, among other things, would entitle the holders, upon redemption of these units, to receive shares of common equity of a publicly traded company or the same consideration as holders of our common stock received in the transaction. If these limited partners would not receive such consideration, we cannot engage in the transaction unless limited partners holding at least 75% of the common units of limited partnership interest, other than those held by Boston Properties, Inc. or its affiliates, consent to the transaction. In addition, we have agreed in the limited partnership agreement of Boston Properties Limited Partnership that we will not complete business combinations in which we receive the approval of our common stockholders unless either (1) limited partners holding at least 75% of the common units of limited partnership interest, other than those held by Boston Properties, Inc. or its affiliates, consent to the transaction or (2) the limited partners of Boston Properties Limited Partnership are also allowed to vote and the transaction would have been approved had these limited partners been able to vote as common stockholders on the transaction. Therefore, if our common stockholders approve a specified extraordinary transaction, the partnership agreement requires the following before we can complete the transaction:

- holders of partnership interests in Boston Properties Limited Partnership, including Boston Properties, Inc., must vote on the matter;

- Boston Properties, Inc. must vote all of its partnership interests in the same proportion as our stockholders voted on the transaction; and

- the result of the vote of holders of partnership interests in Boston Properties Limited Partnership must be such that had such vote been a vote of stockholders, the transaction would have been approved.

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UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following discussion describes the material United States federal income tax consequences relating to our qualifications as a REIT and the ownership and disposition of shares of our common stock.

Because this is a summary that is intended to address only certain material United States federal income tax consequences relating to the ownership and disposition of shares of our common stock generally applicable to holders, it may not contain all the information that may be important to you. As you review this discussion, you should keep in mind that:

- the tax consequences to you may vary depending on your particular tax situation;
- special rules that are not discussed below may apply to you if, for example, you are a tax-exempt organization, a broker-dealer, a non-U.S. person, a trust, an estate, a regulated investment company, a financial institution, an insurance company, a person who holds 10% or more (by vote or value) of our stock, or are otherwise subject to special tax treatment under the Internal Revenue Code;
- this summary does not address state, local, or non-U.S. tax considerations;
- this summary deals only with shareholders that hold shares of our stock as capital assets within the meaning of Section 1221 of the Internal Revenue Code; and
- this discussion is not intended to be, and should not be construed as, tax advice.

You are urged both to review the following discussion and to consult with your own tax advisor to determine the effect of ownership and disposition of shares of our common stock on your individual tax situation, including any state, local, or non-U.S. tax consequences.

The information in this section is based on the current Internal Revenue Code, current, temporary, and proposed Treasury regulations, the legislative history of the Internal Revenue Code, current administrative interpretations and practices of the Internal Revenue Service, or IRS, including its practices and policies as endorsed in private letter rulings, which are not binding on the IRS except in the case of the taxpayer to whom a private letter ruling is addressed, and existing court decisions. Future legislation, regulations, administrative interpretations, and court decisions could change current law or adversely affect existing interpretations of current law. Any change could apply retroactively. We have not obtained any rulings from the IRS concerning the tax treatment of the matters discussed below. Thus, it is possible that the IRS could challenge the statements in this discussion which do not bind the IRS or the courts, and that a court could agree with the IRS.

Classification and taxation of Boston Properties as a REIT

We have elected to be taxed as a REIT under the Internal Revenue Code. A REIT generally is not subject to federal income tax on the income that it distributes to stockholders if it meets the applicable REIT distribution requirements and other requirements for qualification.

We believe that we are organized and have operated in such a manner so as to qualify as a REIT, but there can be no assurance that we have qualified or will remain qualified as a REIT. In the opinion of our tax counsel, Goodwin Procter LLP, based upon and subject to the various assumptions and on our representations concerning our organization and operations, commencing with the taxable year ended December 31, 1997, our form of organization and operations are such as to enable us to qualify as a real estate investment trust under the applicable provisions of the Internal Revenue Code. It must be emphasized that the opinion of Goodwin Procter LLP is based on various assumptions relating to our organization and operation, including that all factual representations and statements set forth in all relevant documents, records and instruments are true and correct, all actions described in this prospectus are completed in a timely fashion and that we will at all times operate in accordance with the method of operation described in our organizational documents and this prospectus, and is conditioned upon factual representations and covenants made by our management and affiliated entities regarding our organization, assets, and past, present and future conduct of our business operations, and assumes

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that such representations and covenants are accurate and complete and that we will take no action inconsistent with our status as a REIT. While we believe that we are organized and have operated and intend to continue to operate so that we will qualify as a REIT, given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations, and the possibility of future changes in our circumstances, no assurance can be given by Goodwin Procter LLP or us that we have so qualified or will so qualify for any particular year. Goodwin Procter LLP will have no obligation to advise us or the holders of our common stock of any subsequent change in the matters stated, represented or assumed, or of any subsequent change in the applicable law. You should be aware that opinions of counsel are not binding on the IRS, and no assurance can be given that the IRS will not challenge the conclusions set forth in such opinions.

Qualification and taxation as a REIT depends on our ability to meet, on a continuing basis, through actual operating results, distribution levels, and diversity of stock ownership, various qualification requirements imposed upon REITs by the Code, the compliance with which will not be reviewed by Goodwin Procter LLP. Our ability to qualify as a REIT also requires that we satisfy certain asset tests, some of which depend upon the fair market values of assets directly or indirectly owned by us. Such values may not be susceptible to a precise determination. Accordingly, no assurance can be given that the actual results of our operations for any taxable year will satisfy such requirements for qualification and taxation as a REIT.

So long as we qualify for taxation as a REIT, we generally will not be subject to federal corporate income tax on our net income that we distribute currently to our stockholders. This treatment substantially eliminates double taxation (that is, taxation at both the corporate and stockholder levels) that generally results from an investment in a regular corporation. However, we will be subject to federal income tax as follows:

- We will be taxed at regular corporate rates on any undistributed REIT taxable income. REIT taxable income is the taxable income of the REIT subject to specified adjustments, including a deduction for dividends paid;

- Under some circumstances, we may be subject to the alternative minimum tax on our items of tax preference, as defined under the alternative minimum tax rules;

- If we have net income from the sale or other disposition of foreclosure property that is held primarily for sale to customers in the ordinary course of business, or other nonqualifying income from foreclosure property, we will be subject to tax at the highest corporate rate on this income;

- Our net income from prohibited transactions will be subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of property held primarily for sale to customers in the ordinary course of business other than foreclosure property;

- If we fail to satisfy either the 75% gross income test or the 95% gross income test discussed below, but nonetheless maintain our qualification as a REIT because other requirements are met, we will be subject to a tax equal to the gross income attributable to the greater of either (1) the amount by which 75% of our gross income exceeds the amount of our income qualifying under the 75% test for the taxable year or (2) the amount by which 90% of our gross income exceeds the amount of our income qualifying for the 95% income test for the taxable year, multiplied by a fraction intended to reflect our profitability;

- If we fail to satisfy any of the REIT asset tests, as described below, other than a failure by a *de minimis* amount of the 5% or 10% assets tests, as described below, but our failure is due to reasonable cause and not due to willful neglect and we nonetheless maintain our REIT qualification because of specified cure provisions, we will be required to pay a tax equal to the greater of $50,000 or 35% of the net income generated by the nonqualifying assets during the period in which we failed to satisfy the asset tests.

- If we fail to satisfy any provision of the Code that would result in our failure to qualify as a REIT (other than a gross income or asset test requirement) and that violation is due to reasonable cause and not due to willful neglect, we may retain our REIT qualification, but we will be required to pay a penalty of $50,000 for each such failure.

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We may be required to pay monetary penalties to the IRS in certain circumstances, including if we fail to meet record-keeping requirements intended to monitor our compliance with rules relating to the composition of our stockholders, as described below in Requirements for Qualification General.

We will be subject to a 4% excise tax on the excess of the required distribution over the sum of amounts actually distributed and amounts retained for which federal income tax was paid, if we fail to distribute during each calendar year at least the sum of:

(1) 85% of our REIT ordinary income for the year;

(2) 95% of our REIT capital gain net income for the year; and

(3) any undistributed taxable income from prior taxable years;

		We will be subject to a 100% penalty tax on some payments we receive (or on certain expenses deducted by a taxable REIT subsidiary) if arrangements among us, our tenants, and:2px;padding-right:2px;">	(45)	(1,387)	
Net income attributable to SYNNEX Corporation	$ 30,769		$ 34,374	$ 64,138	$72,597
Earnings per share attributable to SYNNEX Corporation:					
Basic	$ 0.84		$ 0.94	$ 1.75	$1.99
Diluted	$ 0.81		$ 0.90	$ 1.69	$1.91
Weighted-average common shares outstanding:					
Basic	36,783		36,607	36,724	36,456
Diluted	37,869		38,348	37,950	37,990

The accompanying Notes are an integral part of these Consolidated Financial Statements (unaudited).

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SYNNEX CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(currency in thousands)
(unaudited)

	Three Months Ended		Six Months Ended	
	May 31, 2013	May 31, 2012	May 31, 2013	May 31, 2012
Net income	$30,792	$34,830	$64,183	$73,984
Other comprehensive income (loss):				
Unrealized gains (losses) on available-for-sale securities, net of $0 tax for both the three and six months ended May 31, 2013 and 2012	(51)	(66)	188	21
Foreign currency translation adjustments, net of $0 and $448 tax for the three and six months ended May 31, 2013, respectively, and net of $0 tax for both the three and six months ended May 31, 2012, respectively	(2,999)	(10,755)	(13,961)	(4,954)
Total other comprehensive loss	(3,050)	(10,821)	(13,773)	(4,933)
Comprehensive income:	27,742	24,009	50,410	69,051
Comprehensive income attributable to noncontrolling interest	(19)	(610)	(33)	(1,084)
Comprehensive income attributable to SYNNEX Corporation	$27,723	$23,399	$50,377	$67,967

The accompanying Notes are an integral part of these Consolidated Financial Statements (unaudited).

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SYNNEX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(currency in thousands)
(unaudited)

	Six Months Ended May 31, 2013	May 31, 2012
Cash flows from operating activities:		
Net income	$64,183	$73,984
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation expense	8,269	8,202
Amortization of intangible assets	3,924	4,146
Accretion of convertible notes discount	2,314	2,584
Share-based compensation	4,698	4,225
Provision for doubtful accounts	4,255	1,067
Tax benefits from employee stock plans	1,554	2,736
Excess tax benefit from share-based compensation	(1,765)	(2,691)
Gains on investments	(832)	(1,705)
Changes in assets and liabilities, net of acquisition of businesses:		
Accounts receivable	194,418	174,031
Inventories	(1,036)	96,836
Other assets	(11,160)	(9,140)
Accounts payable	(147,284)	(218,317)
Accrued liabilities	(22,467)	(22,965)
Deferred liabilities	(7,599)	9,376
Net cash provided by operating activities	91,472	122,369
Cash flows from investing activities:		
Purchase of trading investments	(261)	(3,711)
Proceeds from sale of trading investments	3,149	4,886
Proceeds from maturity of (investment in) held-to-maturity term deposits, net	(129)	—
Acquisition of businesses, net of cash acquired	(21,578)	(269)
Purchase of property and equipment	(8,127)	(7,295)
Loans and deposits to third parties, net of payments received	762	635
Proceeds from sale of equity method investments	4,153	3,480
Purchase of cost investment	(1,705)	—
Changes in restricted cash	(441)	12,438
Net cash provided by (used in) investing activities	(24,177)	10,164
Cash flows from financing activities:		
Proceeds from securitization and revolving line of credit	256,038	1,139,537
Payment of securitization and revolving line of credit	(266,825)	(1,231,978)
Payment of long-term bank loans, capital leases and other borrowings	(941)	(1,472)
Excess tax benefit from share-based compensation	1,765	2,691
Decrease in book overdraft	—	(14,288)
Payment of acquisition related contingent consideration	—	(1,052)
Cash paid for repurchase of treasury stock	(1,882)	—
Proceeds from issuance of common stock, net of taxes paid for settlement of equity awards	3,646	7,838
Payment for purchase of shares of subsidiary from noncontrolling interest	(11,400)	(6,046)

Net cash used in financing activities	(19,599)	(104,770)
Effect of exchange rate changes on cash and cash equivalents	4,991	1,880
Net increase in cash and cash equivalents	52,687	29,643
Cash and cash equivalents at beginning of period	163,699	67,571
Cash and cash equivalents at end of period	$216,386	$97,214

The accompanying notes are an integral part of these Consolidated Financial Statements (unaudited).

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SYNNEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the three and six months ended May 31, 2013 and 2012
(currency and share amounts in thousands, except per share amounts)
(unaudited)

NOTE 1—ORGANIZATION AND BASIS OF PRESENTATION:

SYNNEX Corporation (together with its subsidiaries, herein referred to as "SYNNEX" or the "Company") is a business process services company offering a comprehensive range of services to resellers, retailers, and original equipment manufacturers ("OEMs") worldwide. SYNNEX's business process services include wholesale distribution and business process outsourcing ("BPO") services. SYNNEX is headquartered in Fremont, California and has operations in North America, Central America, Asia and Europe.

The accompanying interim unaudited Consolidated Financial Statements as of May 31, 2013 and for the three and six month periods ended May 31, 2013 and 2012 have been prepared by the Company in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). The amounts as of November 30, 2012 have been derived from the Company's annual audited financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles ("GAAP") in the United States have been condensed or omitted in accordance with such rules and regulations. In the opinion of management, the accompanying unaudited Consolidated Financial Statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to state fairly the financial position of the Company and its results of operations and cash flows as of and for the periods presented. These financial statements should be read in conjunction with the annual audited financial statements and notes thereto as of and for the fiscal year ended November 30, 2012, included in the Company's Annual Report on Form 10-K for the fiscal year then ended.

The results of operations for the three and six months ended May 31, 2013 are not necessarily indicative of the results that may be expected for the fiscal year ending November 30, 2013, or any future period and the Company makes no representations related thereto.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Company's significant accounting policies are disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2012. There have been no material changes to these accounting policies, except as described below. For a discussion of the significant accounting policies, please see the discussion in the Annual Report on Form 10-K for the fiscal year ended November 30, 2012.

Restricted cash

Restricted cash balances relate to temporary restrictions caused by the timing of lockbox collections under the Company's borrowing arrangements, future payments to contractors for the long-term projects at the Company's Mexico operation and deposits.

The following table summarizes the restricted cash balances as of May 31, 2013 and November 30, 2012 and the location where these amounts are recorded on the Consolidated Balance Sheets:

	As of	
	May 31, 2013	November 30, 2012
Related to borrowing arrangements and others:		
Other current assets	$25,539	$23,247
Related to long-term projects:		
Other assets	4,345	6,103
Total restricted cash	$29,884	$29,350

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SYNNEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS---(continued)
For the three and six months ended May 31, 2013 and 2012
(currency and share amounts in thousands, except per share amounts)
(unaudited)

Concentration of credit risk

Financial instruments that potentially subject the Company to significant concentration of credit risk consist principally of accounts receivable, and cash and cash equivalents. The Company’s cash and cash equivalents are maintained with high quality institutions, the compositions and maturities of which are regularly monitored by management. Through May 31, 2013, the Company had not experienced any losses on such deposits.

Accounts receivable include amounts due from customers and vendors primarily in the technology industry. The Company performs ongoing credit evaluations of its customers’ financial condition and limits the amount of credit extended when deemed necessary, but generally requires no collateral. The Company also maintains allowances for potential credit losses. In estimating the required allowances, the Company takes into consideration the overall quality and aging of the receivable portfolio, the existence of a limited amount of credit insurance and specifically identified customer and vendor risks. Through May 31, 2013, such losses have been within management’s expectations.

In both the three and six months ended May 31, 2013, one customer accounted for 10% of the Company's total revenue. In the three and six months ended May 31, 2012, no customer accounted for 10% or more of the Company's total revenue. Products purchased from the Company’s largest OEM supplier, Hewlett-Packard Company (“HP”), accounted for approximately 32% for both the three and six months ended May 31, 2013 and 36% of the total revenue for both the three and six months ended May 31, 2012, respectively.

As of May 31, 2013, no customer exceeded 10% of the total consolidated accounts receivable balance. As of November 30, 2012, one customer accounted for 10% of the consolidated accounts receivable balance.

Revenue recognition

The Company generally recognizes revenue on the sale of hardware and software products when they are shipped and on services when they are performed, if a purchase order exists, the sales price is fixed or determinable, collection of resulting accounts receivable is reasonably assured, risk of loss and title have transferred and product returns are reasonably estimable. Provisions for sales returns are estimated based on historical data and are recorded concurrently with the recognition of revenue. These provisions are reviewed and adjusted periodically by the Company. Revenue is reduced for early payment discounts and volume incentive rebates offered to customers. The Company recognizes revenue on certain service contracts, post-contract software support services, and extended warranty contracts, where it is not the primary obligor, on a net basis.

The Company provides services such as call center, renewals, maintenance and contract management services to its customers under contracts that typically consist of a master services agreement or statement of work, which contains the terms and conditions of each program and service offering. Typically the contracts are time-based or transactions or volume based. Revenue is generally recognized over the term of the contract or when service has been rendered, the sales price is fixed or determinable and collection of the resulting accounts receivable is reasonably assured.

The Company's operation in Mexico primarily focuses on projects with the Mexican government and other local agencies that are long-term in nature. Under the agreements, the Company sells computers and equipment to contractors that provide services to the Mexican government. The Company also sells computer equipment and services directly to the Mexican government. The payments are due on a monthly basis and contingent upon the satisfactory performance of certain services, fulfillment of certain obligations and meeting certain conditions. The Company recognizes revenue and cost of revenue on a straight-line basis over the term of the contract, as the contingencies are satisfied and payments become due.

Earnings per common share

Earnings per common share-basic is computed by dividing the net income attributable to SYNNEX Corporation for the period by the basic weighted-average number of outstanding common shares.

Earnings per common share-diluted is computed by adding the dilutive effect of in-the-money employee stock options, restricted stock awards, restricted stock units and similar equity instruments granted by the Company to the basic weighted-average number of outstanding common shares. The Company uses the treasury stock method, under which, the amount the employee must pay for exercising stock options, the amount of compensation cost for future services that the Company has not yet recognized and the amount of tax benefits that would be recorded in "Additional paid-in capital" when the award becomes deductible are assumed to be used to repurchase shares.

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SYNNEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS---(continued)
For the three and six months ended May 31, 2013 and 2012
(currency and share amounts in thousands, except per share amounts)
(unaudited)

It has been the Company’s intent to settle the principal amount of the convertible debt in cash; accordingly, the principal amount has been excluded from the determination of diluted earnings per share. On April 18, 2013, the Company decided to settle the payment of the conversion spread in cash as discussed in Note 11—Convertible Debt. Through April 18, 2013, the Company accounted for the conversion spread using the treasury stock method by adjusting the diluted weighted average common shares if the effect was dilutive. From April 18, 2013, the numerator for the computation of earnings per common share-diluted will be adjusted for any changes in the fair value of the conversion spread until the final settlement date. For the three and six months ended May 31, 2013, since the effect was anti-dilutive, there was no impact on the numerator of earnings per common share-diluted.
The calculation of earnings per common share attributable to SYNNEX Corporation is presented in Note 12.
Reclassifications
Certain reclassifications have been made to prior period amounts in the Consolidated Statements of Cash Flows to conform to current period presentation. Such reclassifications have no effect on the cash flow from operating, investing and financing activities as previously reported.
Recent accounting pronouncements
In February 2013, the Financial Accounting Standards Board (“FASB”) issued an accounting update which requires companies to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present significant amounts reclassified out of accumulated other comprehensive income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. The amendments are effective prospectively for reporting periods beginning after December 15, 2012 with early adoption permitted. The accounting update will be applicable to the Company in the first quarter of fiscal year 2014.
In March 2013, the FASB issued an accounting update that clarifies the applicable guidance for the release of the cumulative translation adjustment when an entity ceases to have a controlling financial interest in a subsidiary or a group of assets that is a business within a foreign entity. The guidance clarifies that the accounting for the release of cumulative translation adjustment into net income for sales or transfers of a controlling financial interest within a foreign entity is the same irrespective of whether the sale or transfer is of a subsidiary or a group of assets that is a business. The accounting update is applicable for fiscal years and interim reporting periods within those years beginning after December 15, 2013 with early adoption permitted. The accounting update will be applicable for the Company in the second quarter of fiscal year 2014.
During fiscal year 2013, the following accounting standards were adopted:
In June 2011, the FASB issued an accounting update that amends the presentation of “Comprehensive income” in the financial statements. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, with early adoption permitted. The Company adopted the accounting update in the first quarter of fiscal year 2013 and updated its presentation of comprehensive income in the financial statements.

NOTE 3—ACQUISITIONS AND DIVESTITURES:
Fiscal year 2013 acquisitions
In April 2013, the Company acquired substantially all of the assets of Supercom Canada Limited ("Supercom Canada"), a distributor of information technology ("IT") and consumer electronics products and services in Canada. The purchase price was approximately CAD36,500, or US$35,599, in cash, including CAD4,450, or US$4,340, in deferred payments, subject to certain post-closing conditions, payable within 18 months. Subsequent to the acquisition, the Company repaid debt and working capital lines in the amount of $53,721. Based on the preliminary purchase allocation, the Company recorded net tangible assets of $26,946, goodwill of $5,852 and intangible assets of $3,901 in relation to this acquisition. The determination of the fair value of the assets and liabilities acquired is

preliminary and subject to the finalization of more detailed analysis. This acquisition did not meet the conditions of a material business combination and was not subject to the disclosure requirements of accounting guidance for business combinations utilizing the purchase method of accounting. The acquisition is integrated into the distribution services segment and is expected to expand the Company's existing product and service offerings in Canada.

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Fiscal year 2012 acquisitions and divestitures
In fiscal year 2012, the Company purchased all the shares of its subsidiary SYNNEX Infotec Corporation (“Infotec Japan”) held by the noncontrolling interest SB Pacific Corporation Limited ("SB Pacific") for $17,450, of which $11,400 was paid during the six months ended May 31, 2013. The transaction increased the Company's ownership interest in Infotec Japan from 70.0% to 99.8%. In fiscal year 2012, the Company also sold its 33.3% noncontrolling interest in SB Pacific, its equity-method investee at that time, back to SB Pacific. During the six months ended May 31, 2013, the Company received the final payment of $4,153 of the sale price.
In fiscal year 2012, the Company acquired a business in the Global Business Services ("GBS") segment for a purchase price of $6,200 with $1,200 payable upon the completion of certain post-closing procedures and $1,300 contingent consideration payable upon the achievement of certain target earnings. The Company recorded goodwill of $6,150 in relation to this acquisition. This acquisition did not meet the conditions of a material business combination and was not subject to the disclosure requirements of accounting guidance for business combinations utilizing the purchase method of accounting.

NOTE 4—SHARE-BASED COMPENSATION:
The Company recognizes share-based compensation expense for all share-based awards made to employees and directors, including employee stock options, restricted stock awards, restricted stock units and employee stock purchases, based on estimated fair values.
The Company uses the Black-Scholes valuation model to estimate fair value of stock options. The Black-Scholes option-pricing model was developed for use in estimating the fair value of short-lived exchange traded options that have no vesting restrictions and are fully transferable. In addition, option-pricing models require the input of highly subjective assumptions, including the option’s expected life and the price volatility of the underlying stock. The expected stock price volatility assumption was determined using historical volatility of the Company’s common stock.
The following table summarizes the number of share-based awards granted under the Company’s Amended and Restated 2003 Stock Incentive Plan, as amended, during the three and six months ended May 31, 2013 and 2012 and the grant-date fair value of the awards:

	Three Months Ended				Six Months Ended			
	May 31, 2013		May 31, 2012		May 31, 2013		May 31, 2012	
	Number of grants	Fair value of grants	Number of grants	Fair value of grants	Number of grants	Fair value of grants	Number of grants	Fair value of grants
Stock options	—	—	20	301	—	—	20	301
Restricted stock awards	36	1,275	32	1,196	38	1,329	36	1,350
Restricted stock units	8	268	46	1,964	106	3,736	46	1,964
	44	$1,543	98	$3,461	144	$5,065	102	$3,615

The Company recorded share-based compensation expenses of $2,215 and $4,698 in "Selling, general and administrative expenses" for the three and six months ended May 31, 2013, respectively, and $2,216 and $4,225 for the three and six months ended May 31, 2012, respectively.

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NOTE 5—BALANCE SHEET COMPONENTS:

	As of May 31, 2013	November 30, 2012
Short-term investments:		
Trading securities	$4,196	$5,709
Available-for-sale securities	45	44
Held-to-maturity securities	8,557	8,297
Cost method investments	1,744	1,883
	$14,542	$15,933

	As of May 31, 2013	November 30, 2012
Accounts receivable, net:		
Accounts receivable	$1,278,954	$1,461,796
Less: Allowance for doubtful accounts	(19,247)	(18,229)
Less: Allowance for sales returns	(36,495)	(42,480)
	$1,223,212	$1,401,087

	As of May 31, 2013	November 30, 2012
Property and equipment, net:		
Land	$19,320	$18,699
Equipment and computers	101,947	101,994
Furniture and fixtures	20,569	21,373
Buildings and leasehold improvements	103,154	101,848
Construction in progress	1,729	1,804
Total property and equipment, gross	246,719	245,718
Less: Accumulated depreciation	(126,021)	(122,795)
	$120,698	$122,923

Goodwill:

	Distribution	GBS	Total
Balance as of November 30, 2012	$105,860	$83,228	$189,088
Additions from acquisitions, net of adjustments	6,088	123	6,211
Foreign exchange translation	(5,026)	(1,229)	(6,255)
Balance as of May 31, 2013	$106,922	$82,122	$189,044

The additions to "Goodwill" recorded during the six months ended May 31, 2013 relate primarily to the acquisition of Supercom Canada in the distribution segment and adjustments for the purchase price allocation for a prior period acquisition in the GBS segment.

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Intangible assets, net:

	As of May 31, 2013			As of November 30, 2012		
	Gross Amounts	Accumulated Amortization	Net Amounts	Gross Amounts	Accumulated Amortization	Net Amounts
Vendor lists	$36,940	$(29,473)	$7,467	$36,945	$(28,684)	$8,261
Customer lists	51,883	(32,362)	19,521	50,406	(30,360)	20,046
Other intangible assets	4,888	(4,361)	527	4,962	(4,220)	742
	$93,711	$(66,196)	$27,515	$92,313	$(63,264)	$29,049

Amortization expenses were $1,971 and $3,924 for the three and six months ended May 31, 2013, respectively, and $2,071 and $4,146 for the three and six months ended May 31, 2012, respectively.

NOTE 6—INVESTMENTS:
The carrying amount of the Company’s investments is shown in the table below:

	May 31, 2013			November 30, 2012		
	Cost Basis	Unrealized Gains	Carrying Value	Cost Basis	Unrealized Gains	Carrying Value
Short-term:						
Trading securities	$3,688	$508	$4,196	$5,636	$73	$5,709
Available-for-sale securities	—	45	45	—	44	44
Held-to-maturity investments	8,557	—	8,557	8,297	—	8,297
Cost method securities	1,744	—	1,744	1,883	—	1,883
	$13,989	$553	$14,542	$15,816	$117	$15,933
Long-term investments in other assets:						
Available-for-sale securities	$915	$176	$1,091	$1,095	$22	$1,117
Cost-method investments	4,983	—	4,983	3,313	—	3,313

Short-term trading securities generally consist of equity securities relating to the Company’s deferred compensation plan. Short-term and long-term available-for-sale securities primarily consist of investments in other companies’ equity securities. Held-to-maturity investments primarily consist of term deposits with maturities from the date of purchase greater than three months and less than one year. These term deposits are held until the maturity date and are not traded. Short-term cost-method securities primarily consist of investments in a hedge fund and a private equity fund under the Company’s deferred compensation plan. Long-term cost-method investments consist of investments in equity securities of private entities.

Trading securities and available-for-sale securities are recorded at fair value in each reporting period and therefore the carrying value of these securities equals their fair value. For cost-method securities, the Company records an impairment charge when the decline in fair value is determined to be other-than-temporary. The fair value of the cost-method investments is based on (i) the published fund values, (ii) a valuation model developed internally based on the published value of the securities held by the fund or (iii) an internal valuation of the investee.

The following table summarizes the total gains and losses recorded in “Other income, net” in the Consolidated Statements of Operations for changes in the fair value of the Company's trading investments during the three and six months ended May 31, 2013 and 2012:

	Three Months Ended		Six Months Ended	
	May 31, 2013	May 31, 2012	May 31, 2013	May 31, 2012

Gain on trading investments, net	$671	$25	$1,240	$1,114

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NOTE 7—DERIVATIVE INSTRUMENTS:

In the ordinary course of business, the Company is exposed to foreign currency risk, interest risk, equity risk and credit risk. The Company's transactions in some of its foreign operations are denominated in local currency. The Company's foreign locations enter into transactions, and own monetary assets and liabilities, that are denominated in currencies other than their functional currency. As part of its risk management strategy, the Company uses short-term forward contracts to minimize its balance sheet exposure to foreign currency risk. These derivatives are not designated as hedging instruments. The forward exchange contracts are recorded at fair value in each reporting period and any gains or losses, resulting from the changes in fair value, are recorded in earnings in the period of change. Generally, the Company does not use derivative instruments to cover equity risk and credit risk. The Company's policy is not to allow the use of derivatives for trading or speculative purposes. The fair value of the Company's forward exchange contracts are also disclosed in Note 8.

The following table summarizes the fair value of the Company's foreign exchange forward contracts as of May 31, 2013 and November 30, 2012:

	Fair Value as of	
Location	May 31, 2013	November 30, 2012
Other current assets	$2,487	$1,292
Accrued liabilities	215	—

The notional amounts of the foreign exchange forward contracts that were outstanding as of May 31, 2013 and November 30, 2012 were $175,227 and $128,518, respectively. The notional amounts represent the gross amounts of foreign currency that will be bought or sold at maturity. In relation to its forward contracts, the Company recorded gains of $3,052 and $6,480 in "Other income (expense), net" during the three and six months ended May 31, 2013, respectively, and gains of $2,324 and $1,368, during the three and six months ended May 31, 2012, respectively.

NOTE 8—FAIR VALUE MEASUREMENTS:

The Company's fair value measurements are classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

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The following table summarizes the valuation of the Company's investments and financial instruments that are measured at fair value on a recurring basis:

	As of May 31, 2013				As of November 30, 2012			
	Total	Fair value measurement category			Total	Fair value measurement category		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Assets:								
Cash equivalents	$118,518	$118,518	$—	$—	$95,074	$95,074	$—	$—
Trading securities	4,196	4,196	—	—	5,709	5,709	—	—
Available-for-sale securities in short-term investments	45	45	—	—	44	44	—	—
Available-for-sale securities in other assets	1,091	1,091	—	—	1,117	1,117	—	—
Forward foreign currency exchange contracts	2,487	—	2,487	—	1,292	—	1,292	—
Liabilities:								
Forward foreign currency exchange contracts	$215	$—	$215	$—	$—	$—	$—	$—
Acquisition-related contingent consideration	2,070	—	—	2,070	2,611	—	—	2,611

The Company's cash equivalents consist primarily of highly liquid investments in money market funds and term deposits with maturity periods of three months or less. The carrying value of the cash equivalents approximates the fair value since they are near their maturity. Investments in trading and available-for-sale securities consist of equity securities and are recorded at fair value based on quoted market prices. The fair values of forward exchange contracts are measured based on the foreign currency spot and forward rates quoted by the banks or foreign currency dealers. The acquisition-related contingent consideration liability represents the future potential earn-out payments relating to the acquisitions in the GBS segment. The fair values of the contingent consideration liabilities are based on the Company's probability assessment of the established profitability measures during the periods ranging from one year to three years from the date of the acquisitions. During the three and six months ended May 31, 2013, the fair value of the contingent consideration liability was remeasured and the resulting decrease of $142 and $447, respectively, were recorded as a benefit to "Selling, general and administrative expenses" in the Consolidated Statements of Operations. The change in the fair value was due to updated estimates of expected revenue and gross profit related to the achievement of established earn-out targets. The remaining change in the carrying value of the liability is due to the translation effect of foreign currencies.

The carrying value of held-to-maturity securities, accounts receivable, accounts payable and short-term debt, approximate fair value due to their short maturities and the interest rates which are variable in nature. The carrying value of the Company's term loans approximate their fair value since they bear interest rates that are similar to existing market rates. The convertible debt had a carrying value of $143,750 and $141,436 as of May 31, 2013 and November 30, 2012, respectively. The fair value of the convertible debt was $167,735 as of November 30, 2012, which is based on the closing price of the convertible debt traded in a limited trading market and is categorized as level 2 in the fair value measurement category levels. On April 16, 2013, the Company called all of the outstanding convertible debt, as a result, the financial instrument was no longer traded. The Company gave notice to the converting noteholders that it will settle all of the convertible debt in cash. The final settlement of amounts due upon conversion of the convertible

debt will be made during the three months ending August 31, 2013.
During the three and six months ended May 31, 2013, there were no transfers between the fair value measurement category levels.

NOTE 9—ACCOUNTS RECEIVABLE ARRANGEMENTS:
The Company primarily finances its United States operations with an accounts receivable securitization program (the "U.S. Arrangement"). The Company can finance up to a maximum of $400,000 in U.S. trade accounts receivable ("U.S. Receivables"). The maturity date of the U.S. Arrangement is October 18, 2015. The effective borrowing cost under the U.S.

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Arrangement is a blend of the prevailing dealer commercial paper rates plus a program fee of 0.425% per annum based on the used portion of the commitment, and a facility fee of 0.425% per annum payable on the aggregate commitment of the lenders. As of both May 31, 2013 and November 30, 2012 there were no borrowings outstanding under the U.S. Arrangement.

Under the terms of the U.S. Arrangement, the Company sells, on a revolving basis, its U.S. Receivables to a wholly-owned, bankruptcy-remote subsidiary. The borrowings by this subsidiary are secured by pledging all of such subsidiary's rights, title and interest in and to the U.S. Receivables as security for repayment of its borrowings. Any borrowings under the U.S. Arrangement are recorded as debt on the Company's Consolidated Balance Sheets. As is customary in trade accounts receivable securitization arrangements, a credit rating agency's downgrade of the third party issuer of commercial paper or of a back-up liquidity provider (which provides a source of funding if the commercial paper market cannot be accessed) could result in an increase in the Company's cost of borrowing or loss of the Company's financing capacity under these programs if the commercial paper issuer or liquidity back-up provider is not replaced. Loss of such financing capacity could have a material adverse effect on the Company's financial condition and results of operations.

The Company also has other financing agreements in North America with various financial institutions (“Flooring Companies”) to allow certain customers of the Company to finance their purchases directly with the Flooring Companies. Under these agreements, the Flooring Companies pay the Company directly on behalf of the customer and typically charge certain fees which the Company records as flooring fees. The Company is contingently liable to repurchase inventory sold under flooring agreements in the event of any default by its customers under the agreement and such inventory being repossessed by the Flooring Companies. Please see Note 17—Commitments and Contingencies for further information.

The following table summarizes the net sales financed through the flooring agreements and the flooring fees incurred:

	Three Months Ended		Six Months Ended	
	May 31, 2013	May 31, 2012	May 31, 2013	May 31, 2012
Net sales financed	$219,602	$202,933	$405,937	$373,825
Flooring fees[(1)]	1,217	1,173	2,444	2,195

(1) Flooring fees are included within “Interest expense and finance charges, net.”

As of May 31, 2013 and November 30, 2012, accounts receivable subject to flooring agreements were $58,641 and $55,963, respectively.

Infotec Japan has arrangements with various banks and financial institutions for the sale and financing of approved accounts receivable and notes receivable. The amount outstanding under these arrangements that was sold, but not collected as of May 31, 2013 and November 30, 2012 was $14,783 and $11,233, respectively.

NOTE 10—BORROWINGS:

Borrowings consist of the following:

	As of	
	May 31, 2013	November 30, 2012
Convertible debt	$143,750	$141,436
SYNNEX Canada revolving line of credit	18	—
SYNNEX Canada term loan	7,946	8,648
Infotec Japan credit facility	134,355	111,542
Other borrowings and capital leases	10,677	13,660

Total borrowings	296,746	275,286
Less: Current portion	(229,571)	(194,134)
Non-current portion	$67,175	$81,152

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Convertible debt
In May 2008, the Company issued $143,750 of aggregate principal amount of its 4.0% Convertible Senior Notes due 2018 (the "Convertible Senior Notes") in a private placement. The carrying amount of the Convertible Senior Notes, net of the unamortized debt discount, was $143,750 and $141,436 as of May 31, 2013 and November 30, 2012, respectively. See Note 11—Convertible Debt.
SYNNEX U.S. securitization
The Company can finance up to a maximum of $400,000 in U.S. Receivables under its U.S. Arrangement. See Note 9—Accounts Receivable Arrangements. The effective borrowing cost under the U.S. Arrangement is a blend of the prevailing dealer commercial paper rates, plus a program fee on the used portion of the commitment and a facility fee payable on the aggregate commitment. As of both May 31, 2013 and November 30, 2012 there were no borrowings outstanding under the U.S. Arrangement.
SYNNEX U.S. senior secured revolving line of credit
The Company has a senior secured revolving line of credit arrangement (the "Revolver") with a financial institution which provides a maximum commitment of $100,000 which expires in October 2017. The Revolver includes an accordion feature to increase the maximum commitment by an additional $50,000 to $150,000 at the Company's request, in the event the current lender consents to such increase or another lender participates in the Revolver. Interest on borrowings under the Revolver is based on a base rate or London Interbank Offered Rate ("LIBOR"), at the Company's option. The margin on the LIBOR is determined in accordance with the Company's fixed charge coverage ratio and is currently 1.50% per annum. The Company's base rate is based on the financial institution's prime rate. The Revolver also contains an unused line fee of 0.30% per annum. The Revolver is secured by the Company's inventory and other assets. It would be an event of default under the Revolver if a lender under the U.S. Arrangement declines to extend the maturity date at any point within thirty days prior to the maturity date of the U.S. Arrangement, unless the Company has a binding commitment in place to renew or replace the U.S. Arrangement. There is no event of default if within the thirty day period prior to maturity of the Revolver: (a) borrowing availability exceeds 90% of the commitment amount and (b) the fixed charge coverage ratio, when measured at the end of the fiscal quarter on a trailing four quarter basis, is greater than or equal to 1.75 to 1.00. There were no borrowings outstanding under this credit arrangement as of both May 31, 2013 and November 30, 2012.
SYNNEX Canada revolving line of credit
SYNNEX Canada Limited ("SYNNEX Canada") has a revolving line of credit arrangement with a financial institution (the "Canadian Revolving Arrangement") which has a maximum commitment of CAD100,000 and includes an accordion feature to increase the maximum commitment by an additional CAD25,000 to CAD125,000, at SYNNEX Canada's request. The Canadian Revolving Arrangement also provides a sublimit of $5,000 for the issuance of standby letters of credit. As of May 31, 2013 and November 30, 2012, outstanding standby letters of credit totaled $3,323 and $3,447, respectively. SYNNEX Canada has granted a security interest in substantially all of its assets in favor of the lender under the Canadian Revolving Arrangement. In addition, the Company pledged its stock in SYNNEX Canada as collateral for the Canadian Revolving Arrangement. The interest rate applicable under the Canadian Revolving Arrangement is equal to (i) the Canadian base rate plus a margin of 0.75% for a Base Rate Loan in Canadian Dollars, (ii) the US base rate plus a margin of 0.75% for a Base Rate Loan in U.S. Dollars, and (iii) the Bankers' Acceptance rate ("BA") plus a margin of 2.00% for a BA Rate Loan. The Canadian base rate means the greater of (a) the prime rate determined by a major Canadian financial institution and (b) the one month Canadian Dealer Offered Rate ("CDOR") (the average rate applicable to Canadian dollar bankers' acceptances for the applicable period) plus 1.50%. The US base rate means the greater of (a) a reference rate determined by a major Canadian financial institution for US dollar loans made to Canadian borrowers and (b) the US federal funds rate plus 0.50%. A fee of 0.25% per annum is payable with respect to the unused portion of the commitment. The credit arrangement

expires in May 2017. As of May 31, 2013, there was $18 outstanding under the Canadian Revolving Arrangement. There was no borrowing outstanding as of November 30, 2012.

SYNNEX Canada term loan

SYNNEX Canada has a term loan associated with the purchase of its logistics facility in Guelph, Canada. The interest rate for the unpaid principal amount is a fixed rate of 5.374% per annum. The final maturity date for repayment of the unpaid principal is April 1, 2017.

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Infotec Japan credit facility

Infotec Japan has a credit agreement with a group of financial institutions for a maximum commitment of JPY14,000,000. The credit agreement is comprised of a JPY6,000,000 long-term loan and a JPY8,000,000 short-term revolving credit facility. The credit agreement was refinanced in December 2012, to increase the short-term revolving credit facility to JPY8,000,000 from JPY4,000,000. The interest rate for the long-term and short-term loans is based on the Tokyo Interbank Offered Rate ("TIBOR") plus a margin of 1.90% per annum. The refinanced credit facility expires in December 2015. The long-term loan can be repaid at any time prior to December 2015 without penalty. The Company has issued a guarantee to cover all obligations of Infotec Japan to the lenders.

Other borrowings and capital leases

Infotec Japan has a short-term revolving credit facility of JPY1,000,000 with a financial institution. The credit facility was renewed for one year in March 2013 and bears an interest rate that is based on TIBOR plus a margin of 1.60% per annum. As of May 31, 2013 and November 30, 2012, the balances outstanding under this credit facility were $9,953 and $12,124, respectively. In addition, as of November 30, 2012, Infotec Japan had a term loan with a financial institution with a balance of $424, which was repaid in December 2012 and bore a fixed interest rate of 1.50%.

As of May 31, 2013 and November 30, 2012, the Company also had $724 and $1,112, respectively, outstanding in capital lease obligations primarily pertaining to Infotec Japan and under arrangements with various banks and financial institutions for the sale and financing of approved accounts receivable and notes receivable with recourse provisions to Infotec Japan.

Interest expense and finance charges

For the three and six months ended May 31, 2013, the total interest expense and finance charges for the Company's borrowings were $5,757 and $12,313, respectively, including non-cash interest expenses of $926 and $2,314, respectively, for the Convertible Senior Notes. For the three and six months ended May 31, 2012, the total interest expense and finance charges for the Company's borrowings were $7,043 and $13,997, respectively, including non-cash interest expenses of $1,301 and $2,585, respectively, for the Convertible Senior Notes. The variable interest rates ranged between 0.67% and 3.43% and 0.67% and 3.53%, respectively, during the three and six months ended May 31, 2013 and between 0.87% and 4.24% during both the three and six months ended May 31, 2012.

Covenants compliance

In relation to the U.S. Arrangement, the Revolver, the Infotec Japan credit facility and the Canadian Revolving Arrangement, the Company has a number of covenants and restrictions that, among other things, require the Company to comply with certain financial and other covenants. These covenants require the Company to maintain specified financial ratios and satisfy certain financial condition tests, including minimum net worth and fixed charge coverage ratios. They also limit the Company’s ability to incur additional debt, make or forgive intercompany loans, pay dividends and make other types of distributions, make certain acquisitions, repurchase the Company’s stock, create liens, cancel debt owed to the Company, enter into agreements with affiliates, modify the nature of the Company’s business, enter into sale-leaseback transactions, make certain investments, enter into new real estate leases, transfer and sell assets, cancel or terminate any material contracts and merge or consolidate. The covenants also limit the Company’s ability to pay cash upon conversion, redemption or repurchase of the Convertible Senior Notes subject to certain liquidity tests.

Guarantees

The Company has issued guarantees to certain vendors and lenders of its subsidiaries for trade credit lines and loans to ensure compliance with subsidiary sales agreements. In addition, the Company, as the ultimate parent, guaranteed the obligations of SYNNEX Investment Holdings Corporation up to $35,035 in connection with the December 2009 sale of China Civilink (Cayman), which operated in China as HiChina Web Solutions, to Alibaba.com Limited. The total guarantees issued by the Company as of May 31, 2013 and November 30, 2012 were $327,981 and $264,162, respectively. The Company is obligated under these guarantees to pay amounts due should its subsidiaries not pay valid amounts owed to their vendors or lenders or not comply with subsidiary sales agreements.

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NOTE 11—CONVERTIBLE DEBT:

	As of	
	May 31, 2013	November 30, 2012
Principal amount	$143,750	$143,750
Less: Unamortized debt discount	—	(2,314)
Net carrying amount	$143,750	$141,436

In May 2008, the Company issued $143,750 of aggregate principal amount of the Convertible Senior Notes in a private placement. The Convertible Senior Notes had a cash coupon interest rate of 4.0% per annum with a maturity date of May 15, 2018, subject to earlier redemption, repurchase or conversion. Interest on the Convertible Senior Notes was payable in cash semi-annually in arrears on May 15 and November 15 of each year, and commenced on November 15, 2008. The Convertible Senior Notes were senior unsecured obligations of the Company and ranked equally in right of payment with other senior unsecured debt and ranked senior to subordinated debt, if any. The Convertible Senior Notes effectively ranked junior to any of the Company's secured indebtedness to the extent of the assets securing such indebtedness. The Convertible Senior Notes were also structurally subordinated in right of payment to all indebtedness and other liabilities and commitments (including trade payables) of the Company's subsidiaries.

The Convertible Senior Notes are governed by an indenture, dated as of May 12, 2008, between U.S. Bank National Association, as trustee, and the Company (the "Indenture"), which contains customary events of default.

Holders could convert their Convertible Senior Notes at their option at any time prior to the close of business on the business day immediately preceding the maturity date for such Convertible Senior Notes under the following circumstances: (1) during any fiscal quarter after the fiscal quarter ended August 31, 2008 (and only during such fiscal quarter), if the last reported sale price of the Company’s common stock for at least twenty trading days in the period of thirty consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is equal to or more than 130% of the conversion price of the Convertible Senior Notes on the last day of such preceding fiscal quarter; (2) during the five business-day period after any five consecutive trading-day period (the “Measurement Period”) in which the trading price per $1 principal amount of the Convertible Senior Notes for each day of that Measurement Period was less than 98% of the product of the last reported sale price of the common stock and the conversion rate of the Convertible Senior Notes on each such day; (3) if the Company has called the particular Convertible Senior Notes for redemption, until the close of business on the business day prior to the redemption date; or (4) upon the occurrence of certain corporate transactions. On April 16, 2013, the Company announced that holders had the right to surrender their Convertible Senior Notes for repurchase by the Company pursuant to their option (the "Put Option") under the Indenture. The Put Option entitled each holder of the Convertible Senior Notes to require the Company to repurchase all or a portion (in principal amount equal to $1 or integral multiples thereof) of such holder's Convertible Senior Notes at a purchase price (the "Repurchase Price") equal to 100% of the principal amount of the Convertible Senior Notes plus any accrued and unpaid interest up to, but not including, May 15, 2013 upon the terms and subject to the conditions set forth in the Indenture and the Convertible Senior Notes. No Convertible Senior Notes were surrendered for repurchase pursuant to the Put Option.

In addition, the Company announced on April 16, 2013 that it would redeem all of the outstanding Convertible Senior Notes on May 20, 2013 (the "Redemption Date") at a redemption price equal to 100% of the principal amount of the Convertible Senior Notes redeemed plus any accrued and unpaid interest (including any contingent interest) up to, but not including, the Redemption Date, as provided for in the Indenture and the Convertible Senior Notes. As of May 17, 2013, all of the outstanding Convertible Senior Notes were converted and, accordingly, none were redeemed on the

Redemption Date.

The conversion rate for the Convertible Senior Notes was 33.9945 shares of common stock per $1 principal amount of Convertible Senior Notes, equivalent to an initial conversion price of $29.42 per share of common stock. The Convertible Senior Notes were convertible at the option of the Company into cash, shares of Common Stock or a combination of cash and shares of Common Stock in accordance with and subject to the terms of the Indenture and the Convertible Senior Notes. The Company gave notice to the converting noteholders that it will settle all of the Convertible Senior Notes in cash.

As of May 31, 2013, the Company recorded an estimated liability of $35,646 for the difference between the conversion value of the Convertible Senior Notes and the principal amount of the Convertible Senior Notes (the "Conversion Spread") by adjusting "Additional paid-in-capital." The final settlement amount due will be calculated in accordance with the

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Indenture based on the volume weighted-average trading price of the Company's common stock over the 60 consecutive trading-day period beginning on and including the third trading day after the related conversion date. The payments will be made in the third quarter of fiscal year 2013.
The Company maintains within its U.S. Arrangement and Revolver ongoing features that allow the Company to utilize cash from these facilities to cash settle conversions of the Convertible Senior Notes.
Based on a cash coupon interest rate of 4.0%, the Company recorded contractual interest expense of $1,387 and $3,010 during the three and six months ended May 31, 2013, respectively, and $1,624 and $3,248 during the three and six months ended May 31, 2012, respectively. Based on an effective rate of 8.0%, the Company recorded non-cash interest expenses of $926 and $2,314, respectively, during the three and six months ended May 31, 2013 and $1,301 and $2,585, respectively, during the three and six months ended May 31, 2012. As of both May 31, 2013 and November 30, 2012, the carrying value of the initial equity component of the Convertible Senior Notes, net of allocated issuance costs, was $22,836.

NOTE 12—EARNINGS PER COMMON SHARE:
The following table sets forth the computation of basic and diluted earnings per common share for the periods indicated:

	Three Months Ended		Six Months Ended	
	May 31, 2013	May 31, 2012	May 31, 2013	May 31, 2012
Net income attributable to SYNNEX Corporation	$30,769	$34,374	$64,138	$72,597
Weighted-average common shares - basic	36,783	36,607	36,724	36,456
Effect of dilutive securities:				
Stock options, restricted stock awards and restricted stock units	529	641	524	638
Conversion spread of convertible debt	557	1,100	702	896
Weighted-average common shares - diluted	37,869	38,348	37,950	37,990
Earnings per share attributable to SYNNEX Corporation:				
Basic	$0.84	$0.94	$1.75	$1.99
Diluted	$0.81	$0.90	$1.69	$1.91

It has been the Company’s intent to settle the principal amount of the Convertible Senior Notes in cash; accordingly, the principal amount has been excluded from the determination of diluted earnings per share. On April 18, 2013, the Company decided to settle the payment of the conversion spread in cash as discussed in Note 11—Convertible Debt. Through April 18, 2013, the Company accounted for the conversion spread using the treasury stock method by adjusting the diluted weighted average common shares if the effect was dilutive. From April 18, 2013, the numerator for the computation of earnings per common share-diluted will be adjusted for any dilutive changes in the fair value of the conversion spread until the final settlement date. For the three and six months ended May 31, 2013, fair value of the conversion spread decreased $1,981 and therefore was excluded from the computation of diluted earnings per common share since the effect was anti-dilutive.
Options to purchase 14 and 16 shares of common stock during the three and six months ended May 31, 2013, respectively, and 3 and 5 shares during the three and six months ended May 31, 2012, respectively, have not been included in the computation of diluted earnings per share as their effect would have been anti-dilutive.

NOTE 13—SEGMENT INFORMATION:
Operating segments

Operating segments are based on components of the Company that engage in business activity that earn revenue and incur expenses and (a) whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resource allocation and performance and (b) for which discrete financial information is available.

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The distribution services segment distributes IT systems, peripherals, system components, software, networking equipment, consumer electronics ("CE") and complementary products and offers data center server and storage solutions. The distribution services segment also provides contract assembly services.

The GBS segment offers a range of BPO services to customers that include technical support, renewals management, lead management, direct sales, customer service, back office processing and information technology outsourcing ("ITO"). Many of these services are delivered and supported on the proprietary software platforms that the Company has developed to provide additional value to its customers.

Summarized financial information related to the Company’s reportable business segments for the three and six months ended May 31, 2013 and 2012 is shown below:

	Distribution	GBS	Inter-Segment Elimination	Consolidated
Three months ended May 31, 2013				
Revenue	$2,544,709	$55,050	$ (8,398)	$2,591,361
Income from operations before non-operating items, income taxes and noncontrolling interest	47,747	4,352	(135)	51,964
Three months ended May 31, 2012				
Revenue	2,442,963	47,714	(7,878)	2,482,799
Income from operations before non-operating items, income taxes and noncontrolling interest	56,387	2,578	356	59,321
Six months ended May 31, 2013				
Revenue	$4,961,613	$107,533	$ (16,946)	$5,052,200
Income from operations before non-operating items, income taxes and noncontrolling interest	99,809	8,250	(155)	107,904
Six months ended May 31, 2012				
Revenue	4,866,227	92,776	(15,510)	4,943,493
Income from operations before non-operating items, income taxes and noncontrolling interest	118,752	4,570	(13)	123,309
Total assets as of May 31, 2013	$2,761,136	$311,125	$ (196,327)	$2,875,934
Total assets as of November 30, 2012	2,848,689	316,993	(202,420)	2,963,262

The inter-segment elimination relates to the inter-segment, back office support services provided by the GBS segment to the distribution services segment, elimination of inter-segment profit, inter-segment investments and inter-segment receivables.

Segment by geography

The Company primarily operates in North America. The United States and Canada are included in the “North America” operations. China, India, Japan and the Philippines are included in “Asia-Pacific” operations and the remaining countries it operates in are included in “Other” operations. The revenues attributable to countries are based on geography of entities from where the products are distributed or services are provided.

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Shown below is summarized financial information related to the geographic areas in which the Company operated during the three and six months ended May 31, 2013 and 2012:

	Three Months Ended		Six Months Ended	
	May 31, 2013	May 31, 2012	May 31, 2013	May 31, 2012
Revenue:				
North America	$2,269,339	$2,126,226	$4,398,852	$4,236,065
Asia-Pacific	301,049	333,944	612,673	671,077
Other	20,973	22,629	40,675	36,351
	$2,591,361	$2,482,799	$5,052,200	$4,943,493

	As of	
	May 31, 2013	November 30, 2012
Property and equipment, net:		
North America	$85,902	$87,689
Asia-Pacific	20,569	22,782
Other	14,227	12,452
	$120,698	$122,923

Revenue in the United States was approximately 74% of the total revenue for both the three and six months ended May 31, 2013, and 72% and 71% of the total revenue for the three and six months ended May 31, 2012, respectively. Revenue in Canada was approximately 14% and 13% of total revenue for the three and six months ended May 31, 2013, respectively and 14% for both the three and six months ended May 31, 2012. Revenue in Japan was approximately 11% of the total revenue for both the three and six months ended May 31, 2013, respectively and 13% of the total revenue for both the three and six months ended May 31, 2012.

Net property and equipment in the United States was approximately 57% of the total as of both May 31, 2013 and November 30, 2012. Net property and equipment in Canada was approximately 14% of the total as of both May 31, 2013 and November 30, 2012. No other country represented more than 10% of the total net property and equipment.

NOTE 14—RELATED PARTY TRANSACTIONS:

The Company has a business relationship with MiTAC International Corporation (“MiTAC International”), a publicly-traded company in Taiwan, which began in 1992 when MiTAC International became the Company's primary investor through its affiliates. As of both May 31, 2013 and November 30, 2012, MiTAC International and its affiliates beneficially owned approximately 27% of the Company’s common stock. Matthew Miau, the Company’s Chairman Emeritus of the Board of Directors and a director, is the Chairman of MiTAC International and a director or officer of MiTAC International’s affiliates. The shares owned by MiTAC International are held by the following entities:

	As of May 31, 2013
MiTAC International(1)	5,908
Synnex Technology International Corp.(2)	4,283
Total	10,191

(1) Shares are held via Silver Star Developments Ltd., a wholly-owned subsidiary of MiTAC International. Excludes 594 shares (of which 534 shares are directly held and 60 shares are subject to exercisable options) held by Matthew Miau.
(2) Synnex Technology International Corp. ("Synnex Technology International") is a separate entity from the Company and is a publicly-traded corporation in Taiwan. Shares are held via Peer Development Ltd., a

wholly-owned subsidiary of Synnex Technology International. MiTAC International owns a noncontrolling interest of 8.7% in MiTAC Incorporated, a privately-held Taiwanese company, which in turn holds a noncontrolling interest of 13.6% in Synnex Technology International.

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MiTAC International generally has significant influence over the Company and over the outcome of all matters submitted to stockholders for consideration, including any merger or acquisition of the Company. Among other things, this could have the effect of delaying, deterring or preventing a change of control over the Company.

The Company purchased inventories from MiTAC International and its affiliates totaling $139 and $2,865 during the three and six months ended May 31, 2013, respectively, and $738 and $979 during the three and six months ended May 31, 2012, respectively. The Company’s sales to MiTAC International and its affiliates during the three and six months ended May 31, 2013, totaled $280 and $575, respectively, and during the three and six months ended May 31, 2012, totaled $1,089 and $2,223, respectively. In addition, the Company received reimbursements of rent and overhead costs for facilities used by MiTAC International amounting to $793 and $1,724, during the three and six months ended May 31, 2013, respectively, and $926 and $1,872, during the three and six months ended May 31, 2012, respectively.

The Company’s business relationship with MiTAC International has been informal and is not governed by long-term commitments or arrangements with respect to pricing terms, revenue or capacity commitments. The Company negotiates manufacturing, pricing and other material terms on a case-by-case basis with MiTAC International and its contract assembly customers for a given project. While MiTAC International is a related party and a controlling stockholder, the Company believes that the significant terms under its arrangements with MiTAC International, including pricing, will not materially differ from the terms it could have negotiated with unaffiliated third parties, and it has adopted a policy requiring that material transactions with MiTAC International or its related parties be approved by its Audit Committee, which is composed solely of independent directors. In addition, Matthew Miau’s compensation is approved by the Nominating and Corporate Governance Committee, which is also composed solely of independent directors.

Synnex Technology International is a publicly-traded corporation in Taiwan that currently provides distribution and fulfillment services to various markets in Asia and Australia, and is also a potential competitor of the Company. Neither MiTAC International, nor Synnex Technology International is restricted from competing with the Company.

NOTE 15—PENSION AND EMPLOYEE BENEFITS PLANS:

The employees of Infotec Japan are covered by certain defined benefit pension plans, including a multi-employer pension plan. Full-time employees are eligible to participate in the plans on the first day of February following their date of hire and are not required to contribute to the plans.

The components of net periodic pension costs pertaining to the Company's single employer benefit plan during the three and six months ended May 31, 2013 and 2012 were as follows:

	Three Months Ended		Six Months Ended	
	May 31, 2013	May 31, 2012	May 31, 2013	May 31, 2012
Service cost	$146	$192	$308	$369
Interest cost	37	50	77	96
Expected return on plan assets	(15)	(30)	(31)	(58)
Net periodic pension costs	$168	$212	$354	$407

During the three and six months ended May 31, 2013, the Company contributed $164 and $337, respectively, to the single-employer benefit plan. During the three and six months ended May 31, 2012, the Company contributed $236 and $434, to the plan, respectively.

NOTE 16—EQUITY:

Share repurchase program

In June 2011, the Board of Directors authorized a three-year $65,000 share repurchase program. During the three and six months ended May 31, 2013, the Company purchased 52 shares and 55 shares at a weighted-average price of $34.40 per share and $34.28 per share, respectively. As of May 31, 2013 the Company has purchased 361 shares for a total cost of $11,340.

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The share purchases were made on the open market and the shares repurchased by the Company are held in treasury for general corporate purposes.

Changes in equity

A reconciliation of the changes in equity for the six months ended May 31, 2013 and May 31, 2012 is presented below:

	Six Months Ended May 31, 2013			Six Months Ended May 31, 2012		
	Attributable to SYNNEX Corporation	Attributable to Noncontrolling interest	Total Equity	Attributable to SYNNEX Corporation	Attributable to Noncontrolling interest	Total Equity
Beginning balance of equity:	$1,319,023	$ 332	$1,319,355	$1,158,379	$ 10,079	$1,168,458
Issuance of common stock on exercise of options	3,088	—	3,088	7,402	—	7,402
Issuance of common stock for employee stock purchase plan	710	—	710	677	—	677
Tax benefit from exercise of non-qualified stock options	1,555	—	1,555	2,736	—	2,736
Taxes paid for the settlement of equity awards	(153)	—	(153)	(241)	—	(241)
Share-based compensation	4,698	—	4,698	4,221	4	4,225
Changes in ownership of noncontrolling interest	—	—	—	(2,371)	(4,147)	(6,518)
Repurchase of treasury stock	(1,882)	—	(1,882)	—	—	—
Accrual for conversion premium of convertible debt, net of tax	(21,745)	—	(21,745)	—	—	—
Comprehensive income:						
Net income	64,138	45	64,183	72,597	1,387	73,984
Other comprehensive income (loss):						
Changes in unrealized gains (losses) on available-for-sale securities	188	—	188	(40)	61	21

Net unrealized components of defined benefit pension plans	—	—	—	64	(64)	—
Foreign currency translation adjustments	(13,949)	(12)	(13,961)	(4,654)	(300)	(4,954)
Total other comprehensive income (loss)	(13,761)	(12)	(13,773)	(4,630)	(303)	(4,933)
Total comprehensive income	50,377	33	50,410	67,967	1,084	69,051
Ending balance of equity:	$ 1,355,671	$ 365	$ 1,356,036	$ 1,238,770	$ 7,020	$ 1,245,790

The balance of "Accumulated other comprehensive income," which is included in the total equity attributable to SYNNEX Corporation, primarily comprises of cumulative translation adjustments.

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NOTE 17—COMMITMENTS AND CONTINGENCIES:

The Company was contingently liable as of May 31, 2013 under agreements to repurchase repossessed inventory acquired by Flooring Companies as a result of default on floor plan financing arrangements by the Company's customers. These arrangements are described in Note 9—Accounts Receivable Arrangements. Losses, if any, would be the difference between the repossession cost and the resale value of the inventory. There have been no repurchases through May 31, 2013 under these agreements and the Company is not aware of any pending customer defaults or repossession obligations. From time to time, the Company receives notices from third parties, including customers and suppliers, seeking indemnification, payment of money or other actions in connection with claims made against them. Also, the Company is involved in various bankruptcy preference actions where the Company was a supplier to the companies now in bankruptcy. In addition, the Company is subject to various other claims, both asserted and unasserted, that arise in the ordinary course of business. The Company is not currently involved in any material proceedings.

In December 2009, the Company sold China Civilink (Cayman), which operated in China as HiChina Web Solutions, to Alibaba.com Limited. In conjunction with this sale, the Company has recorded a contingent indemnification liability of $4,122.

The Company does not believe that the above commitments and contingencies will have a material adverse effect on the Company's results of operations, financial position or cash flows.

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ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements and related Notes included elsewhere in this Report.

When used in this Quarterly Report on Form 10-Q or the Report, the words "believes," "plans," "estimates," "anticipates," "expects," "intends," "allows," "can," "may," "designed," "will," and similar expressions are intended to identify forward-look statements. These are statements that relate to future periods and include statements about our business model and our services, our market strategy, including expansion of our product lines, our infrastructure, anticipated benefits, costs, and timing of our acquisitions, impact of MiTAC International Corporation, or MiTAC International, ownership interest in us, our revenue and operating results, our gross margins, competition with Synnex Technology International Corp., our future needs for additional financing, concentration of customers, our international operations, including our operations in Japan, expansion of our operations, our strategic acquisitions of businesses and assets, effects of future expansion of our operations, adequacy of our cash resources to meet our capital needs, cash held by our foreign subsidiaries, the settlement of our convertible notes, adequacy of our disclosure controls and procedures, pricing pressures, competition, impact of our accounting policies, our anti-dilution share repurchase program, and statements regarding our securitization programs and revolving credit lines. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. These risks and uncertainties include, but are not limited to, those risks discussed, as well as the seasonality of the buying patterns of our customers, concentration of sales to large customers, dependence upon and trends in capital spending budgets in the information technology, or IT, and consumer electronics, or CE, industries, fluctuations in general economic conditions and risks set forth under Part II, Item 1A, "Risk Factors." These forward-looking statements speak only as of the date hereof. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Overview

We are a Fortune 500 corporation and a leading business process services company, servicing resellers, retailers and original equipment manufacturers, or OEMs, in multiple regions around the world. Our primary business process services are wholesale distribution and business process outsourcing, or BPO. We operate in two segments: distribution services and global business services, or GBS. Our distribution services segment distributes IT systems, peripherals, system components, software, networking equipment, CE, and complementary products and also offers data center server and storage solutions. Our GBS segment offers a range of BPO services to customers that include technical support, renewals management, lead management, direct sales, customer service, back office processing and information technology outsourcing, or ITO. Many of these services are delivered and supported on the proprietary software platforms we have developed to provide additional value to our customers.

We combine our core strengths in distribution with our BPO services to help our customers achieve greater efficiencies in time to market, cost minimization, real-time linkages in the supply chain and after-market product support. We distribute more than 25,000 technology products (as measured by active SKUs) from more than 200 IT, CE and OEM suppliers to more than 20,000 resellers, system integrators, and retailers throughout the United States, Canada, Japan and Mexico. As of May 31, 2013, we had over 12,500 full-time and temporary employees worldwide. From a geographic perspective, approximately 88% and 87%, of our total revenue was from North America for the three and six months ended May 31, 2013, respectively, and 86% for both the three and six months ended May 31, 2012.

In our distribution services segment, we purchase IT systems, peripherals, system components, software, networking equipment, CE and complementary products from our primary suppliers such as Hewlett-Packard Company, or HP, Lenovo, Seagate Technologies LLC, Panasonic Corporation and Acer Inc. and sell them to our reseller and retail customers. We perform a similar function for our distribution of licensed software products. Our reseller customers include value-added resellers, or VARs, corporate resellers, government resellers, system integrators, direct marketers, and national and regional retailers. In our distribution business, we provide comprehensive IT solutions in key vertical markets such as government and healthcare. We also provide specialized service offerings that increase efficiencies in areas like print management, renewals, networking and other services. In our GBS segment, our customers are primarily manufacturers of IT hardware and CE devices, developers of software, cloud service providers, and broadcast and social media.

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Critical Accounting Policies and Estimates

There have been no material changes in our critical accounting policies and estimates for the three and six months ended May 31, 2013 from our disclosure in our Annual Report on Form 10-K for the fiscal year ended November 30, 2012. For more information on our critical accounting policies, please see the discussion in our Annual Report on Form 10-K for the fiscal year ended November 30, 2012.

Recent Acquisitions and Divestitures

We seek to augment our services offering expansion with strategic acquisitions of businesses and assets that complement and expand our global BPO capabilities. We also divest businesses that we deem no longer strategic to our ongoing operations. Our historical acquisitions have brought us new reseller and retail customers, OEM suppliers, and product lines, have extended the geographic reach of our operations, particularly in targeted markets, and have diversified and expanded the services we provide to our OEM suppliers and customers. We account for acquisitions using the purchase method of accounting and include acquired entities within our Consolidated Financial Statements from the closing date of the acquisition.

Acquisitions during fiscal year 2013

In April 2013, we acquired substantially all of the assets of Supercom Canada Limited or Supercom Canada, a distributor of IT and consumer electronics products and services in Canada. The purchase price was approximately CAD36.5 million, or US$35.6 million, in cash, including approximately CAD4.5 million, or US$4.3 million, in deferred payments, subject to certain post-closing conditions, payable within 18 months. Subsequent to the acquisition, we repaid debt and working capital lines in the amount of $53.7 million. Based on the preliminary purchase price allocation, we recorded net tangible assets of $26.9 million, goodwill of $5.9 million and intangible assets of $3.9 million in relation to this acquisition. The determination of the fair value of the assets and liabilities acquired is preliminary and subject to the finalization of more detailed analysis. The acquisition is integrated into the distribution services segment and is expected to expand our existing product and service offerings in Canada.

Acquisitions and divestitures during fiscal year 2012

In fiscal year 2012, we purchased all the shares of our subsidiary SYNNEX Infotec Corporation, or Infotec Japan, held by the noncontrolling interest SB Pacific Corporation Limited, or SB Pacific, for $17.5 million, of which $11.4 million was paid during the six months ended May 31, 2013. The transaction increased our ownership interest in Infotec Japan from 70.0% to 99.8%. In fiscal year 2012, we also sold our 33.3% noncontrolling interest in SB Pacific, our equity-method investee at that time, back to SB Pacific. During the six months ended May 31, 2013, we received the final payment of $4.2 million of the sale price.

In fiscal year 2012, we acquired a business in the GBS segment for a purchase price of $6.2 million with $1.2 million payable upon the completion of certain post-closing procedures and $1.3 million contingent consideration payable upon the achievement of certain target earnings. We recorded goodwill of $6.2 million in relation to this acquisition.

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Results of Operations

The following table sets forth, for the indicated periods, data as percentages of revenue:

Statements of Operations Data:	Three Months Ended		Six Months Ended	
	May 31, 2013	May 31, 2012	May 31, 2013	May 31, 2012
Revenue	100.00 %	100.00 %	100.00 %	100.00 %
Cost of revenue	(93.03)	(93.70)	(93.85)	(93.41)
Gross profit	5.97	6.30	6.15	6.59
Selling, general and administrative expenses	(3.96)	(3.91)	(4.01)	(4.10)
Income from operations before non-operating items, income taxes and noncontrolling interest	2.01	2.39	2.14	2.49
Interest expense and finance charges, net	(0.19)	(0.22)	(0.20)	(0.23)
Other income (expense), net	0.02	(0.02)	0.03	0.03
Income from operations before income taxes and noncontrolling interest	1.84	2.15	1.97	2.29
Provision for income taxes	(0.65)	(0.75)	(0.70)	(0.80)
Net income	1.19	1.40	1.27	1.49
Net income attributable to noncontrolling interest	(0.00)	(0.02)	(0.00)	(0.03)
Net income attributable to SYNNEX Corporation	1.19 %	1.38 %	1.27 %	1.46 %

Three and Six Months Ended May 31, 2013 and 2012

Revenue

	Three Months Ended			Six Months Ended		
	May 31, 2013	May 31, 2012	Percent Change	May 31, 2013	May 31, 2012	Percent Change
	(in thousands)			(in thousands)		
Revenue	$2,591,361	$2,482,799	4.4 %	$5,052,200	$4,943,493	2.2 %
Distribution revenue	2,544,709	2,442,963	4.2 %	4,961,613	4,866,227	2.0 %
GBS revenue	55,050	47,714	15.4 %	107,533	92,776	15.9 %
Inter-segment elimination	(8,398)	(7,878)	6.6 %	(16,946)	(15,510)	9.3 %

In our distribution services segment, we sell in excess of 25,000 technology products (as measured by active SKUs) from more than 200 IT, CE and OEM suppliers to more than 20,000 resellers. The prices of our products are highly dependent on the volumes purchased within a product category. The products we sell from one period to the next are often not comparable because of rapid changes in product models and features. The revenue generated in our GBS segment relates to BPO services such as technical support, renewals management, lead management, direct sales, customer service, back office processing and ITO. The inter-segment elimination relates to the inter-segment, back office support services provided by our GBS segment to our distribution services segment. Third-party GBS revenue can be derived by netting the inter-segment eliminations into GBS revenue. The GBS programs and customer service requirements change frequently from one period to the next and are often not comparable.

Revenue in our distribution services segment increased by 4.2% during the three months ended May 31, 2013 compared to the three months ended May 31, 2012. The increase in revenue was due to growth in U.S. sales, local currency sales in Japan and the mid quarter acquisition of Supercom Canada which contributed 1.8% of the increase. These increases were offset in part by 2.6% for changes in foreign exchange rates, primarily from the weakening of the Japanese Yen.

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The increase in our revenue was caused by the growth in system components of 10%, primarily from hard disk drives and server processors, and peripherals of 9% primarily from the addition of new products, networking of 3%, systems of 2%, offset in part by 22% lower software sales primarily due to lower gaming sales and the strategic consolidation of less profitable products.

Revenue in our distribution services segment increased by 2.0% during the six months ended May 31, 2013 compared to the six months ended May 31, 2012. The increase in revenue was due to growth in U.S. sales, local currency sales in Japan and the April 2013 acquisition of Supercom Canada which contributed 0.9% of the increase. These increases were offset in part by 2.0% for changes in foreign exchange rates, primarily from the weakening of the Japanese Yen. The increase in revenue by product category, in comparison to the six months ended May 31, 2012, was caused by 10% higher sales of system components, primarily from the increase in sales of hard disk drives, and an 8% increase in peripherals, primarily due to the addition of new products offset in part by weaker printer sales, an 8% increase in networking products sales, offset in part by 21% lower software sales, primarily due to lower gaming sales and the strategic consolidation of lesser profitable products, and 3% lower systems sales.

In our GBS segment, revenue in the three and six months ended May 31, 2013 increased 15.4% and 15.9%, respectively, from the three and six months ended May 31, 2012 primarily due to revenue generated from new customer contracts and increased business volume from certain existing contracts due to our broad range of service offerings.

The demand for our products and services has continued to be stable in the U.S and Asian markets, while Canada continues to experience a challenging demand environment.

Gross Profit

	Three Months Ended			Six Months Ended		
	May 31, 2013	May 31, 2012	Percent Change	May 31, 2013	May 31, 2012	Percent Change
	(in thousands)			(in thousands)		
Gross profit	$154,790	$156,436	(1.1)%	$310,877	$325,708	(4.6)%
Percentage of revenue	5.97 %	6.30 %		6.15 %	6.59 %	

Our gross profit is affected by a variety of factors, including competition, average selling prices, mix of products and services we sell, our customers, our sources of revenue by segments, product costs along with rebate and discount programs from our suppliers, reserves or settlements thereof, freight costs, charges for inventory losses, acquisitions and divestitures of business units, fluctuations in revenue, and our mix of business including our GBS services.

Our gross margins were lower by 33 basis points during the three months ended May 31, 2013 compared to the prior year period. Gross margins were negatively impacted by pricing pressure and mixed demand in our distribution segment, offset in part by the favorable impact of the changes in our mix of business by segment.

Our gross margins during the six months ended May 31, 2013, were 44 basis points lower as compared to the six months ended May 31, 2012. Our margins in the six months ended May 31, 2013 were impacted adversely by pricing pressure, lower incentive rebates and softer end market demand in certain geographies such as Canada, offset by the favorable impact of our mix of business by segment and lower reserve requirements. Gross margins in the prior year period primarily benefited from the shortages of hard disk drives.

No specific customers, or changes in pricing strategy, individually or in the aggregate, contributed materially to the change in gross profit.

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Selling, General and Administrative Expenses

	Three Months Ended			Six Months Ended		
	May 31, 2013	May 31, 2012	Percent Change	May 31, 2013	May 31, 2012	Percent Change
	(in thousands)			(in thousands)		
Selling, general and administrative expenses	$102,826	$97,115	5.9 %	$202,973	$202,399	0.3 %
Percentage of revenue	3.96 %	3.91 %		4.01 %	4.09 %	

Approximately two-thirds of our selling, general and administrative expenses consist of personnel costs such as salaries, commissions, bonuses, share-based compensation, deferred compensation expense or income, and temporary personnel costs. Selling, general and administrative expenses also include costs of our facilities, utility expense, professional fees, depreciation expense on our capital equipment, bad debt expense, amortization expense on our intangible assets, and marketing expenses, offset in part by reimbursements from our OEM suppliers.

Our selling, general and administrative expenses in the three months ended May 31, 2013 were 5.9% higher compared to the three months ended May 31, 2012, primarily due to $6.1 million in higher personnel costs and general overhead expenses to support the growth in our GBS segment and for our mid quarter acquisition of Supercom Canada in our distribution segment. Our selling, general and administrative expenses include one-time integration expenses of $2.1 million related to the acquisition of Supercom Canada. These higher expenses were offset in part by the $2.9 million impact of fluctuations in foreign exchange rates, primarily due to the weakening of the Japanese Yen.

Our selling, general and administrative expenses in the six months ended May 31, 2013 were slightly higher compared to the six months ended May 31, 2012. Our personnel costs and general overhead expenses were higher by $6.0 million, as a result of the growth in both our segments and the impact of the acquisition of Supercom Canada. In addition, we recognized one-time integration expenses of $2.1 million for the acquisition of Supercom Canada. These increases in expenses were offset in part by $4.6 million impact of changes in foreign exchange rates, primarily due to the weakening of the Japanese Yen, and lower provision for doubtful accounts.

Income from Operations before Non-Operating Items, Income Taxes and Noncontrolling Interests

	Three Months Ended			Six Months Ended		
	May 31, 2013	May 31, 2012	Percent Change	May 31, 2013	May 31, 2012	Percent Change
	(in thousands)			(in thousands)		
Income from operations before non-operating items, income taxes and noncontrolling interest	$51,964	$59,321	(12.4)%	$107,904	$123,309	(12.5)%
Percentage of total revenue	2.01 %	2.39 %		2.14 %	2.49 %	
Distribution income from operations before non-operating items, income taxes and noncontrolling interest	47,747	56,387	(15.3)%	99,809	118,752	(16.0)%
Percentage of distribution revenue	1.88 %	2.31 %		2.01 %	2.44 %	
GBS income from operations before non-operating items, income taxes and noncontrolling interest	4,352	2,578	68.8 %	8,250	4,570	80.5 %
Percentage of GBS revenue	7.91 %	5.40 %		7.67 %	4.93 %	
Inter-segment eliminations	(135)	356	(137.9)%	(155)	(13)	1,092.3 %

In our distribution services segment, our operating margins decreased due to lower gross margin as a result of competitive pricing pressure and mixed demand and higher selling, general and administrative expenses primarily related to our April 2013 acquisition of Supercom Canada. Our operating margins were also impacted in the three and six months ended May 31, 2013 by $2.1 million for one-time integration costs related to our acquisition of Supercom Canada.

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In our GBS segment, our income from operations before non-operating items, income taxes and noncontrolling interest as a percentage of revenue increased in the three and six months ended May 31, 2013 as compared to the three and six months ended May 31, 2012 due to the increase in revenue and higher profitability from new and existing customer contracts.

Interest Expense and Finance Charges, Net

	Three Months Ended			Six Months Ended		
	May 31, 2013	May 31, 2012	Percent Change	May 31, 2013	May 31, 2012	Percent Change
	(in thousands)			(in thousands)		
Interest expense and finance charges, net	$4,863	$5,519	(11.9)%	$10,356	$11,554	(10.4)%
Percentage of revenue	0.19%	0.22%		0.20%	0.23%	

Amounts recorded in interest expense and finance charges, net, consist primarily of interest expense paid on our lines of credit and other debt, fees associated with third party accounts receivable flooring arrangements, non-cash interest expense on our convertible debt and the sale or pledge of accounts receivable through our securitization facilities, offset by income earned on our cash investments and financing income from our multi-year contracts in our Mexico operation.

The decrease in interest expense and finance charges, net, during the three and six months ended May 31, 2013 compared to the three and six months ended May 31, 2012 was due to lower average borrowings during the period, lower interest rates and lower interest expense on our convertible debt, which was called during the three months ended May 31, 2013, offset in part by lower interest income from our Mexico contracts.

Other Income (Expense), Net

	Three Months Ended			Six Months Ended		
	May 31, 2013	May 31, 2012	Percent Change	May 31, 2013	May 31, 2012	Percent Change
	(in thousands)			(in thousands)		
Other income (expense), net	$528	$(382)	(238.2)%	$1,789	$1,717	4.2%
Percentage of revenue	0.02%	(0.02)%		0.03%	0.03%	

Amounts recorded as other income (expense), net include foreign currency transaction gains and losses, investment gains and losses (including those in our deferred compensation plan) and other non-operating gains and losses.

The change in other income (expense), net during the three and six months ended May 31, 2013 from the three and six months ended May 31, 2012 was primarily due to changes in earnings on our deferred compensation investments and foreign exchange gains and losses. In addition, the prior year results included a gain of $0.3 million recorded on the sale of a portion of our investment in SB Pacific.

Provision for Income Taxes

Income taxes consist of our current and deferred tax expense resulting from our income earned in domestic and foreign jurisdictions.

Our effective tax rate for both the three and six months ended May 31, 2013 was 35.4%, compared to 34.8% for both the three and six months ended May 31, 2012. Our effective tax rate was impacted by changes in the mix of income in the different tax jurisdictions in which we operate.

Our future effective tax rates could be adversely affected by earnings being lower than anticipated in countries where we have lower statutory rates and earnings being higher than anticipated in countries where we have higher statutory rates, by changes in the valuations of our deferred tax assets or liabilities, or by changes or interpretations in tax laws, regulations or accounting principles. In addition, we are subject to the continuous examination of our income tax returns by the Internal Revenue Service and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes.

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Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests represents the share of net income attributable to others, which is recognized for the portion of subsidiaries' equity not owned by us. The noncontrolling interest in fiscal year 2012 primarily represented SB Pacific's 30.0% ownership of Infotec Japan. This noncontrolling interest has been reflected in the results of our distribution services segment. During fiscal year 2012, we purchased all the shares of Infotec Japan held by SB Pacific.

Liquidity and Capital Resources

Cash Flows

Our business is working capital intensive. Our working capital needs are primarily to finance accounts receivable and inventory. We rely heavily on debt, accounts receivable arrangements, our securitization programs and our revolver programs for our working capital needs.

We have financed our growth and cash needs to date primarily through working capital financing facilities, convertible debt, bank credit lines and cash generated from operations.

To increase our market share and better serve our customers, we may further expand our operations through investments or acquisitions. We expect that such expansion would require an initial investment in personnel, facilities and operations. These investments or acquisitions would likely be funded primarily by additional borrowings or issuing common stock.

Net cash provided by operating activities was $91.5 million for the six months ended May 31, 2013, primarily from $194.4 million collections from the accounts receivable and $64.2 million net income offset in part by $169.8 million payments on accounts payables and accrued liabilities. The changes in our accounts receivables and our accounts payables are due to the timing of collections and payments in our fiscal first quarter following our seasonally high fourth quarter of fiscal year 2012.

Net cash provided by operating activities for the six months ended May 31, 2012 was $122.4 million primarily from $174.0 million collections from our customers, $74.0 million net income and $96.8 million lower inventory balances, offset by $218.1 million lower accounts payable.

Net cash used in investing activities for the six months ended May 31, 2013 was $24.2 million, which included $20.3 million paid for the acquisition of Supercom Canada net of cash acquired and $1.0 million paid for our prior acquisitions in our GBS segment. Our investment in property and equipment was $8.1 million and our investment in cost-method securities was $1.7 million. We received $4.2 million from our fiscal year 2012 sale of equity-method investee SB Pacific Limited and $2.9 million proceeds from sale of our deferred compensation investments, net of purchases.

Net cash provided by investing activities for the six months ended May 31, 2012 was $10.2 million, which was primarily due to the changes in our restricted cash caused by the timing of lockbox collections under our borrowing arrangements and cash received from sale of our ownership interest in SB Pacific from 33.3% to 19.7%, offset by our capital expenditure during the period of $7.3 million, used for the investment in equipment and infrastructure.

Net cash used in financing activities for the six months ended May 31, 2013 was $19.6 million, consisting primarily of $11.7 million net payments on our revolving lines of credit, term loans and the payment of debt acquired from Supercom Canada. We paid $11.4 million for fiscal year 2012 purchase of shares of our subsidiary Infotec Japan from the noncontrolling interest. The proceeds from the issue of common stock upon the exercise of employee stock awards were $3.6 million and $1.9 million was used for repurchase of treasury stock.

Net cash used in financing activities for the six months ended May 31, 2012 was $104.8 million, consisting primarily of $92.4 million net payments on our securitization arrangements, revolving lines of credit, and our term loans. The book overdraft was higher by $14.3 million, due to timing of payments. Proceeds from the exercise of employee stock options were $7.8 million during the period.

Capital Resources

Our cash and cash equivalents totaled $216.4 million and $163.7 million as of May 31, 2013 and November 30, 2012, respectively. Of our total cash and cash equivalents, the cash held by our foreign subsidiaries was $118.9 million and $92.8 million as of May 31, 2013 and November 30, 2012, respectively. Repatriation of the cash held by our foreign subsidiaries

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would be subject to United States federal income taxes. Also, repatriation of some foreign balances is restricted by local laws. However, we have historically fully utilized and reinvested all foreign cash to fund our foreign operations and expansion. If in the future, our intentions change and we repatriate the cash back to the United States, we will report the expected impact of the applicable taxes depending upon the planned timing and the manner of such repatriation. Presently, we believe we have sufficient resources, cash flow and liquidity within the United States to fund current and expected future working capital requirements.

We believe we will have sufficient resources to meet our present and future working capital requirements for the next twelve months, based on our financial strength and performance, existing sources of liquidity, available cash resources and funds available under our various borrowing arrangements.

In May 2008, we issued $143.8 million of aggregate principal amount of our 4.0% Convertible Senior Notes due 2018, or the Convertible Senior Notes, in a private placement. On April 16, 2013, we called the Convertible Senior Notes. We gave notice to the converting noteholders that we will settle all of the Convertible Senior Notes using cash during the third quarter of fiscal year 2013. We maintain within our U.S. Arrangement and the Amended and Restated Revolver, ongoing features that allow us to utilize cash from these facilities to cash settle the Convertible Senior Notes. (See On-Balance Sheet Arrangements below). These borrowing arrangements are renewable on their expiration dates. We have no reason to believe that these arrangements will not be renewed as we continue to be in good credit standing with the participating financial institutions. We have had similar borrowing arrangements with various financial institutions throughout our years as a public company. We also retain the ability to issue equity securities and utilize the proceeds to cash-settle the Convertible Senior Notes. See Note 11—Convertible Debt.

On-Balance Sheet Arrangements

We primarily finance our United States operations with an accounts receivable securitization program, or the U.S. Arrangement. We can finance up to a maximum of $400.0 million in U.S. trade accounts receivable, or U.S. Receivables. The maturity date of the U.S. Arrangement is October 18, 2015. The effective borrowing cost under the U.S. Arrangement is a blend of the prevailing dealer commercial paper rates plus a program fee of 0.425% per annum based on the used portion of the commitment, and a facility fee of 0.425% per annum payable on the aggregate commitment of the lenders. As of both May 31, 2013 and November 30, 2012, there were no borrowings outstanding under the U.S. Arrangement.

Under the terms of the U.S. Arrangement, we sell, on a revolving basis, our U.S. Receivables to a wholly-owned, bankruptcy-remote subsidiary. The borrowings by this subsidiary are secured by pledging all such subsidiary's rights, title and interest in and to the U.S. Receivables as security for repayment of its borrowings. Any borrowings under the U.S. Arrangement are recorded as debt on our Consolidated Balance Sheets. As is customary in trade accounts receivable securitization arrangements, a credit rating agency's downgrade of the third party issuer of commercial paper or of a back-up liquidity provider (which provides a source of funding if the commercial paper market cannot be accessed) could result in an increase in our cost of borrowing or loss of our financing capacity under these programs if the commercial paper issuer or liquidity back-up provider is not replaced. Loss of such financing capacity could have a material adverse effect on our financial condition and results of operations.

We have a senior secured revolving line of credit arrangement, or the Revolver, with a financial institution which provides a maximum commitment of $100.0 million which expires in October 2017. The Revolver includes an accordion feature to increase the maximum commitment by an additional $50.0 million to $150.0 million at our request, in the event the current lender consents to such increase or another lender participates in the Revolver. Interest on borrowings under the Revolver is based on a base rate or London Interbank Offered Rate, or LIBOR, at our option. The margin on the LIBOR is determined in accordance with our fixed charge coverage ratio and is currently 1.50% per annum. Our base rate is based on the financial institution's prime rate. The Revolver also contains an unused line fee of 0.30% per annum. The Revolver is secured by our inventory and other assets. It would be an event of default under the Revolver if a lender under the U.S. Arrangement declines to extend the maturity date at any point within thirty days prior to the maturity date of the U.S. Arrangement, unless we have a binding commitment in place to renew or replace the U.S. Arrangement. There is no event of default if within the thirty day period prior to maturity of the Revolver: (a) borrowing availability exceeds 90% of the commitment amount and (b) the fixed charge coverage ratio, when measured at the end of the fiscal quarter on a trailing four quarter basis, is greater than or equal to 1.75 to

1.00. There were no borrowings outstanding under this credit arrangement as of both May 31, 2013 and November 30, 2012.

SYNNEX Canada Limited, or SYNNEX Canada, has a revolving line of credit arrangement with a financial institution, or the Canadian Revolving Arrangement, which has a maximum commitment of CAD100.0 million and includes an accordion feature to increase the maximum commitment by an additional CAD25.0 million to CAD125.0 million, at SYNNEX Canada's request. The Canadian Revolving Arrangement also provides a sublimit of $5.0 million for the issuance of standby letters of credit. As of May 31, 2013 and November 30, 2012, outstanding standby letters of credit totaled $3.3 million and $3.4 million, respectively. SYNNEX Canada has granted a security interest in substantially all of its assets in favor of the lender under the Canadian Revolving Arrangement. In addition, we pledged our stock in SYNNEX Canada as collateral for the Canadian Revolving Arrangement. The interest rate applicable under the Canadian Revolving Arrangement is equal to (i) the Canadian base rate plus a margin of 0.75% for a Base Rate Loan in Canadian Dollars, (ii) the US base rate plus a margin of 0.75% for a Base Rate Loan in U.S. Dollars, and (iii) the Bankers' Acceptance rate, or BA, plus a margin of 2.00% for a BA Rate Loan. The Canadian base rate means the greater of (a) the prime rate determined by a major Canadian financial institution and (b) the one month Canadian Dealer Offered Rate or CDOR (the average rate applicable to Canadian dollar bankers' acceptances for the applicable period) plus 1.50%. The US base rate means the greater of (a) a reference rate determined by a major Canadian financial institution for US dollar loans made to Canadian borrowers and (b) the US federal funds rate plus 0.50%. A fee of 0.25% per annum is payable with respect to the unused portion of the commitment. The credit arrangement expires in May 2017. As of May 31, 2013, there was $18 thousand outstanding under the Canadian Revolving Arrangement. There was no borrowing outstanding under our Canadian Revolving Arrangement as of November 30, 2012.

SYNNEX Canada has a term loan associated with the purchase of its logistics facility in Guelph, Canada. The interest rate for the unpaid principal amount is a fixed rate of 5.374% per annum. The final maturity date for repayment of the unpaid principal is April 1, 2017. The balance outstanding on the term loan as of May 31, 2013 and November 30, 2012 was $7.9 million and $8.6 million, respectively.

Infotec Japan has a credit agreement with a group of financial institutions for a maximum commitment of JPY14.0 billion. The credit agreement is comprised of a JPY6.0 billion long-term loan and a JPY8.0 billion short-term revolving credit facility. The credit agreement was refinanced in December 2012, to increase the short-term revolving credit facility to JPY8.0 billion from JPY4.0 billion. The interest rate for the long-term and short-term loans is based on the Tokyo Interbank Offered Rate, or TIBOR, plus a margin of 1.90% per annum. The refinanced credit facility expires in December 2015. The long-term loan can be repaid at any time prior to December 2015 without penalty. We have issued a guarantee to cover all obligations of Infotec Japan to the lenders. The balance outstanding on the credit facility was $134.4 million and $111.5 million as of May 31, 2013 and November 30, 2012, respectively.

Infotec Japan has a short-term revolving credit facility of JPY1.0 billion with a financial institution. The credit facility was renewed for one year in March 2013 and bears an interest rate that is based on TIBOR plus a margin of 1.60% per annum. As of May 31, 2013 and November 30, 2012, the balances outstanding under this credit facility were $10.0 million and $12.1 million, respectively. In addition, as of November 30, 2012, Infotec Japan had a term loan with a financial institution with a balance of $0.4 million, which was repaid in December 2012 and bore a fixed interest rate of 1.50%.

As of May 31, 2013 and November 30, 2012, we also had $0.7 million and $1.1 million, respectively, outstanding in capital lease obligations primarily pertaining to Infotec Japan and under arrangements with various banks and financial institutions for the sale and financing of approved accounts receivable and notes receivable with recourse provisions to Infotec Japan.

Covenants Compliance

In relation to our U.S. Arrangement, the Revolver, the Infotec Japan credit facility and the Canadian Revolving Arrangement, we have a number of covenants and restrictions that, among other things, require us to comply with certain financial and other covenants. These covenants require us to maintain specified financial ratios and satisfy certain financial condition tests, including minimum net worth and fixed charge coverage ratios. They also limit our ability to incur additional debt, make or forgive intercompany loans, pay dividends and make other types of distributions, make certain acquisitions, repurchase our stock, create liens, cancel debt owed to us, enter into agreements with affiliates, modify the nature of our business, enter into sale-leaseback transactions, make certain investments, enter into new real estate leases, transfer and sell assets, cancel or terminate any material contracts and merge or consolidate. The covenants also limit our ability to pay cash upon conversion, redemption or repurchase of the Convertible Senior Notes, subject to certain liquidity tests. As of May 31, 2013, we were in compliance with all material covenants for the above arrangements.

Convertible Debt

In May 2008, we issued $143.8 million of aggregate principal amount of the Convertible Senior Notes in a private placement. The Convertible Senior Notes had a cash coupon interest rate of 4.0% per annum with a maturity date of May 15, 2018, subject to earlier redemption, repurchase or conversion. Interest on the Convertible Senior Notes was payable in cash semi-annually in arrears on May 15 and November 15 of each year, and commenced on November 15, 2008. The Convertible Senior Notes were senior unsecured obligations and ranked equally in right of payment with other senior unsecured debt and ranked senior to subordinated debt, if any. The Convertible Senior Notes effectively ranked junior to any of our secured indebtedness to the extent of the assets securing such indebtedness. The Convertible Senior Notes were also structurally subordinated in right of payment to all indebtedness and other liabilities and commitments (including trade payables) of our subsidiaries.

The Convertible Senior Notes are governed by an indenture, dated as of May 12, 2008, between U.S. Bank National Association, as trustee, and us, or the Indenture, which contains customary events of default.

Holders could convert their Convertible Senior Notes at their option at any time prior to the close of business on the business day immediately preceding the maturity date for such Convertible Senior Notes under the following circumstances: (1) during any fiscal quarter after the fiscal quarter ended August 31, 2008 (and only during such fiscal quarter), if the last reported sale price of our common stock for at least twenty trading days in the period of thirty consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is equal to or more than 130% of the conversion price of the Convertible Senior Notes on the last day of such preceding fiscal quarter; (2) during the five business-day period after any five consecutive trading-day period, or the Measurement Period, in which the trading price per $1,000 principal amount of the Convertible Senior Notes for each day of that Measurement Period was less than 98% of the product of the last reported sale price of the common stock and the conversion rate of the Convertible Senior Notes on each such day; (3) if we have called the particular Convertible Senior Notes for redemption, until the close of business on the business day prior to the redemption date; or (4) upon the occurrence of certain corporate transactions. On April 16, 2013, we announced that holders had the right to surrender their Convertible Senior Notes for repurchase by us pursuant to their option, or the Put Option, under the Indenture. The Put Option entitled each holder of the Convertible Senior Notes to require us to repurchase all or a portion (in principal amount equal to $1,000 or integral multiples thereof) of such holder's Convertible Senior Notes at a purchase price, or the Repurchase Price, equal to 100% of the principal amount of the Convertible Senior Notes plus any accrued and unpaid interest up to, but not including May 15, 2013, upon the terms and subject to the conditions set forth in the Indenture and the Convertible Senior Notes. No Convertible Senior Notes were surrendered for repurchase pursuant to the Put Option.

In addition, we announced on April 16, 2013 that we would redeem all of the outstanding Convertible Senior Notes on May 20, 2013, or the Redemption Date, at a redemption price equal to 100% of the principal amount of the Convertible Senior Notes redeemed plus any accrued and unpaid interest (including any contingent interest) up to, but not including, the Redemption Date, as provided for in the Indenture and the Convertible Senior Notes. As of May 17, 2013, all of the outstanding Convertible Senior Notes were converted and, accordingly, none were redeemed on the Redemption Date.

The conversion rate for the Convertible Senior Notes was 33.9945 shares of common stock per $1,000 principal amount of Convertible Senior Notes, equivalent to an initial conversion price of $29.42 per share of common stock. The Convertible Senior Notes were convertible at our option into cash, shares of Common Stock or a combination of cash and shares of Common Stock in accordance with and subject to the terms of the Indenture and the Convertible Senior Notes. We gave notice to the converting noteholders that we will settle all of the Convertible Senior Notes in cash.

As of May 31, 2013, we recorded an estimated liability of $35.6 million for the difference between the conversion value of the Convertible Senior Notes and the principal amount of the Convertible Senior Notes, or the Conversion Spread, by adjusting "Additional paid-in-capital." The final settlement amount due will be calculated in accordance with the Indenture based on the volume weighted-average trading price of our common stock over the 60 consecutive trading-day period beginning on and including the third trading day after the related conversion date. The payments will be made in the third quarter of fiscal year 2013.

We maintain within our U.S. Arrangement and Revolver ongoing features that allow us to utilize cash from these facilities to cash settle conversions of the Convertible Senior Notes.

Based on a cash coupon interest rate of 4.0%, we recorded contractual interest expense of $1.4 million and $3.0 million during the three and six months ended May 31, 2013, respectively, and $1.6 million and $3.2 million during the three and six months ended May 31, 2012, respectively. Based on an effective rate of 8.0%, we recorded non-cash interest expenses of $0.9

million and $2.3 million, respectively, during the three and six months ended May 31, 2013 and $1.3 million and $2.6 million, respectively, during the three and six months ended May 31, 2012. As of both May 31, 2013 and November 30, 2012, the carrying value of the initial equity component of the Convertible Senior Notes, net of allocated issuance costs, was $22.8 million.

Guarantees

We issued guarantees to certain vendors and lenders of our subsidiaries for trade credit lines and loans to ensure compliance with subsidiary sales agreements. In addition, we, as the ultimate parent, guaranteed the obligations of SYNNEX Investment Holdings Corporation up to $35.0 million in connection with the December 2009 sale of China Civilink (Cayman), which operated in China as HiChina Web Solutions, to Alibaba.com Limited. The total guarantees issued by us as of May 31, 2013 and November 30, 2012 were $328.0 million and $264.2 million, respectively. We are obligated under these guarantees to pay amounts due should our subsidiaries not pay valid amounts owed to their vendors or lenders or not comply with subsidiary sales agreements.

Related Party Transactions

We have a business relationship with MiTAC International Corporation, or MiTAC International, a publicly-traded company in Taiwan, which began in 1992 when MiTAC International became our primary investor through its affiliates. As of both May 31, 2013 and November 30, 2012, MiTAC International and its affiliates beneficially owned approximately 27% of our common stock. Matthew Miau, our Chairman Emeritus of the Board of Directors and director, is the Chairman of MiTAC International and a director or officer of MiTAC International's affiliates.

The shares owned by MiTAC International are held by the following entities:

	As of May 31, 2013 (in thousands)
MiTAC International(1)	5,908
Synnex Technology International Corp.(2)	4,283
Total	10,191

(1) Shares are held via Silver Star Developments Ltd., a wholly-owned subsidiary of MiTAC International. Excludes 594 thousand shares (of which 534 thousand shares are directly held and 60 thousand shares are subject to exercisable options) held by Matthew Miau.

(2) Synnex Technology International Corp., or Synnex Technology International, is a separate entity from us and is a publicly-traded corporation in Taiwan. Shares are held via Peer Development Ltd., a wholly-owned subsidiary of Synnex Technology International. MiTAC International owns a noncontrolling interest of 8.7% in MiTAC Incorporated, a privately-held Taiwanese company, which in turn holds a noncontrolling interest of 13.6% in Synnex Technology International.

MiTAC International generally has significant influence over us and over the outcome of all matters submitted to stockholders for consideration, including any merger or acquisition of ours. Among other things, this could have the effect of delaying, deterring or preventing a change of control over us.

We purchased inventories from MiTAC International and its affiliates totaling $0.1 million and $2.9 million during the three and six months ended May 31, 2013, respectively, and $0.7 million and $1.0 million during the three and six months ended May 31, 2012, respectively. Our sales to MiTAC International and its affiliates during the three and six months ended May 31, 2013, totaled $0.3 million and $0.6 million, respectively, and during the three and six months ended May 31, 2012, totaled $1.1 million and $2.2 million, respectively. In addition, we received reimbursements of rent and overhead costs for facilities used by MiTAC International amounting to $0.8 million and $1.7 million, during the three and six months ended May 31, 2013, respectively, and $0.9 million and $1.9 million, during the three and six months ended May 31, 2012, respectively.

Our business relationship with MiTAC International has been informal and is not governed by long-term commitments or arrangements with respect to pricing terms, revenue or capacity commitments. We negotiate manufacturing, pricing and other material terms on a case-by-case basis with MiTAC International and our contract assembly customers for a given project. While MiTAC International is a related party and a controlling stockholder, we believe that the significant terms under

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our arrangements with MiTAC International, including pricing, will not materially differ from the terms we could have negotiated with unaffiliated third parties, and we have adopted a policy requiring that material transactions with MiTAC International or its related parties be approved by our Audit Committee, which is composed solely of independent directors. In addition, Matthew Miau's compensation is approved by the Nominating and Corporate Governance Committee, which is also composed solely of independent directors.

Synnex Technology International is a publicly-traded corporation in Taiwan that currently provides distribution and fulfillment services to various markets in Asia and Australia, and is also our potential competitor. Neither MiTAC International, nor Synnex Technology International is restricted from competing with us.

Recent Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board, or FASB, issued an accounting update which requires companies to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present significant amounts reclassified out of accumulated other comprehensive income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. The amendments are effective prospectively for reporting periods beginning after December 15, 2012 with early adoption permitted. The accounting update will be applicable to us in the first quarter of fiscal year 2014.

In March 2013, the FASB issued an accounting update that clarifies the applicable guidance for the release of the cumulative translation adjustment when an entity ceases to have a controlling financial interest in a subsidiary or a group of assets that is a business within a foreign entity. The guidance clarifies that the accounting for the release of cumulative translation adjustment into net income for sales or transfers of a controlling financial interest within a foreign entity is the same irrespective of whether the sale or transfer is of a subsidiary or a group of assets that is a business. The accounting update is applicable for fiscal years and interim reporting periods within those years beginning after December 15, 2013 with early adoption permitted. The accounting update will be applicable to us in the second quarter of fiscal year 2014.

During fiscal year 2013, the following accounting standards were adopted:

In June 2011, the FASB issued an accounting update that amends the presentation of comprehensive income in the financial statements. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, with early adoption permitted. We adopted the accounting update in the first quarter of fiscal year 2013 and updated our presentation of comprehensive income in the financial statements.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes in our quantitative and qualitative disclosures about market risk for the three and six months ended May 31, 2013 from our Annual Report on Form 10-K for the fiscal year ended November 30, 2012. For further discussion of quantitative and qualitative disclosures about market risk, reference is made to our Annual Report on Form 10-K for the fiscal year then ended.

ITEM 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures. We maintain "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"), that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Our disclosure controls and procedures have been designed to meet reasonable assurance standards. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls

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and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

(b) Changes in internal control over financial reporting. There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) identified in connection with management's evaluation during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II - OTHER INFORMATION

ITEM 1A. Risk Factors
The following are certain risk factors that could affect our business, financial results and results of operations. These risk factors should be considered in connection with evaluating the forward-looking statements contained in this Quarterly Report on Form 10-Q because these factors could cause the actual results and conditions to differ materially from those projected in the forward-looking statements. Before you invest in our Company, you should know that making such an investment involves some risks, including the risks described below. The risks that have been highlighted here are not the only ones that we face. If any of the risks actually occur, our business, financial condition or results of operations could be negatively affected. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.
Risks Related to Our Business
We anticipate that our revenue and operating results will fluctuate, which could adversely affect the enterprise value of our Company and our securities.
Our operating results have fluctuated and will fluctuate in the future as a result of many factors, including:
- general economic conditions and level of IT and CE spending;
- the loss or consolidation of one or more of our significant OEM suppliers or customers;
- market acceptance, product mix, quality, pricing, availability and useful life of our products;
- market acceptance, quality, pricing and availability of our services;
- competitive conditions in our industry;
- pricing, margin and other terms with our OEM suppliers;
- decline in inventory value as a result of product obsolescence and market acceptance;
- variations in our levels of excess inventory and doubtful accounts;
- changes in the terms of OEM supplier-inventory protections, such as price protection and return rights; and
- the impact of the business acquisitions and dispositions we make.

Although we attempt to control our expense levels, these levels are based, in part, on anticipated revenue. Therefore, we may not be able to control spending in a timely manner to compensate for any unexpected revenue shortfall.
Our operating results also are affected by the seasonality of the IT and CE products and services industry. We have historically experienced higher sales in our fourth fiscal quarter due to patterns in the capital budgeting, federal government spending and purchasing cycles of end-users. These patterns may not be repeated in subsequent periods. You should not rely on period-to-period comparisons of our operating results as an indication of future performance. The results of any quarterly period are not indicative of results to be expected for a full fiscal year. In future quarters, our operating results may be below our expectations or those of our public market analysts or investors, which would likely cause our share price to decline.
We depend on a small number of OEMs to supply the IT and CE products and services that we sell and the loss of, or a material change in our business relationship with a major OEM supplier could adversely affect our business, financial position and operating results.
Our future success is highly dependent on our relationships with a small number of OEM suppliers. For example, sales of HP products and services represented approximately 32% of our total revenue for both the three and six months ended May 31, 2013, respectively, and 36% for both the three and six months ended May 31, 2012, respectively. Our OEM supplier agreements typically are short-term and may be terminated without cause upon short notice. The loss or deterioration of our relationship with HP or any other major OEM supplier, the authorization by OEM suppliers of additional distributors, the sale of products by OEM suppliers directly to our reseller and retail customers and end-users, or our failure to establish

relationships with new OEM suppliers or to expand the distribution and supply chain services that we provide OEM suppliers could adversely affect our business, financial position and operating results. For example in fiscal year 2008, International Business Machines Corporation, or IBM, terminated its approval to market IBM System X and related products and services. In addition, OEM suppliers may face liquidity or solvency issues that in turn could negatively affect our business and operating results.

Our business is also highly dependent on the terms provided by our OEM suppliers. Generally, each OEM supplier has the ability to change the terms and conditions of its distribution agreements, such as reducing the amount of price protection and return rights or reducing the level of purchase discounts, rebates and marketing programs available to us.

From time to time we may conduct business with a supplier without a formal agreement because the agreement has expired or otherwise terminated. In such case, we are subject to additional risk with respect to products, warranties and returns, and other terms and conditions. If we are unable to pass the impact of these changes through to our reseller and retail customers, our business, financial position and operating results could be adversely affected.

Our gross margins are low, which magnifies the impact of variations in revenue, operating costs and bad debt on our operating results.

As a result of significant price competition in the IT and CE products and services industry, our gross margins are low, and we expect them to continue to be low in the future. Increased competition arising from industry consolidation and low demand for certain IT and CE products and services may hinder our ability to maintain or improve our gross margins. These low gross margins magnify the impact of variations in revenue, operating costs and bad debt on our operating results. A portion of our operating expense is relatively fixed, and planned expenditures are based in part on anticipated orders that are forecasted with limited visibility of future demand. As a result, we may not be able to reduce our operating expense as a percentage of revenue to mitigate any further reductions in gross margins in the future. If we cannot proportionately decrease our cost structure in response to competitive price pressures, our business and operating results could suffer.

We also receive purchase discounts and incentive rebates from OEM suppliers based on various factors, including sales or purchase volume and breadth of customers. A decrease in net sales could negatively affect the level of volume rebates received from our OEM suppliers and thus, our gross margins. Because some rebates from OEM suppliers are based on percentage increases in sales of products, it may become more difficult for us to achieve the percentage growth in sales required for larger discounts due to the current size of our revenue base. A decrease or elimination of purchase discounts and rebates from our OEM suppliers would adversely affect our business and operating results.

Because we sell on a purchase order basis, we are subject to uncertainties and variability in demand by our reseller, retail and contract assembly services customers, which could decrease revenue and adversely affect our operating results.

We sell to our reseller, retail and contract assembly services customers on a purchase order basis, rather than pursuant to long-term contracts or contracts with minimum purchase requirements. Consequently, our sales are subject to demand variability by our reseller, retail and contract assembly services customers. The level and timing of orders placed by our customers vary for a variety of reasons, including seasonal buying by end-users, the introduction of new hardware and software technologies and general economic conditions. Customers submitting a purchase order may cancel, reduce or delay their orders. If we are unable to anticipate and respond to the demands of our reseller, retail and contract assembly services customers, we may lose customers because we have an inadequate supply of products, or we may have excess inventory, either of which could harm our business, financial position and operating results.

The success of our contact center and renewals management business is subject to the terms and conditions of our customer contracts.

We provide contact center support services and renewals management services to our customers under contracts with provisions that could impact our profitability. Many of our contracts have short termination provisions that could cause fluctuations in our revenue and operating results from period to period. For example, some contracts have performance-related bonus or penalty provisions, whereby we could receive a bonus if we satisfy certain performance levels or have to pay a penalty for failing to do so. The programs that we put in place for our customer products may not be accepted by the market. In addition, with respect to our contact center business, our customers may not guarantee a minimum call volume; however, we hire employees based on anticipated average call volumes. The reduction of call volume, loss of any customers, payment of any

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penalties for failure to meet performance levels or inability to terminate any unprofitable contracts could have an adverse impact on our operations and financial results.

Our renewals management business is subject to dynamic changes in the business model and competition, which in turn could cause our GBS operations to suffer.

The software and hardware renewals management and the customer management operations of our GBS segment represent emerging markets that are vulnerable to numerous changes that could cause a shift in the business and size of the market. For example, if software and hardware customers move to a utility or fee-for-service based business model, this business model change could significantly impact operations or cause a significant shift in the way business is currently conducted. If OEMs place more focus in this area and internalize these operations, then this could also cause a significant reduction in the size of the available market for third party service providers. Similarly, if competitors offer their services at below market margin rates to “buy” business, or use other lines of business to subsidize the renewals management business, then this could cause a significant reduction in the size of the available market. In addition, if a cloud-based solution or some other technology were introduced, this new technology could cause an adverse shift in the way our renewals management operations are conducted or decrease the size of the available market.

We are subject to the risk that our inventory value may decline, and protective terms under our OEM supplier agreements may not adequately cover the decline in value, which in turn may harm our business, financial position and operating results.

The IT and CE products industry is subject to rapid technological change, new and enhanced product specification requirements, and evolving industry standards. These changes may cause inventory on hand to decline substantially in value or to rapidly become obsolete. Most of our OEM suppliers offer limited protection from the loss in value of inventory. For example, we can receive a credit from many OEM suppliers for products held in inventory in the event of a supplier price reduction. In addition, we have a limited right to return a certain percentage of purchases to most OEM suppliers. These policies are often subject to time restrictions and do not protect us in all cases from declines in inventory value. In addition, our OEM suppliers may become unable or unwilling to fulfill their protection obligations to us. The decrease or elimination of price protection or the inability of our OEM suppliers to fulfill their protection obligations could lower our gross margins and cause us to record inventory write-downs. If we are unable to manage our inventory with our OEM suppliers with a high degree of precision, we may have insufficient product supplies or we may have excess inventory, resulting in inventory write-downs, either of which could harm our business, financial position and operating results.

We depend on OEM suppliers to maintain an adequate supply of products to fulfill customer orders on a timely basis, and any supply shortages or delays could cause us to be unable to timely fulfill orders, which in turn could harm our business, financial position and operating results.

Our ability to obtain particular products in the required quantities and to fulfill reseller and retail customer orders on a timely basis is critical to our success. In most cases, we have no guaranteed price or delivery agreements with our OEM suppliers. We occasionally experience a supply shortage of certain products as a result of strong demand or problems experienced by our OEM suppliers. For example, in fiscal year 2011, we experienced shortage in hard drives from OEM suppliers in Thailand due to floods. If shortages or delays persist, the price of those products may increase, or the products may not be available at all. In addition, our OEM suppliers may decide to distribute, or to substantially increase their existing distribution business, through other distributors, their own dealer networks, or directly to resellers, retailers or end-users. Accordingly, if we are not able to secure and maintain an adequate supply of products to fulfill our reseller and retail customer orders on a timely basis, our business, financial position and operating results could be adversely affected.

The market for CE products that we distribute is characterized by short product life cycles. Increased competition for limited retailer shelf space, decreased promotional support from resellers or retailers or increased popularity of downloadable or online content and services could adversely impact our revenue.

The market for CE products, such as personal computers and tablets, mobile devices, video game titles and hardware, and audio or visual equipment, is characterized by short product life cycles and frequent introductions of new products. For example, the life cycle of a video game generally involves a relatively high level of sales during the first few months after introduction followed by a rapid decline in sales and may result in product obsolescence. The markets in which we compete frequently introduce new products to meet changing consumer preferences and trends. As a result, competition is intense for resellers' and retailers' limited shelf space and promotions. If our vendors' new products are not introduced in a timely manner or do not achieve significant market acceptance, we may not generate sufficient sales or profitability. Further, if we are unable to successfully compete for resellers' or retailers' space and promotional resources, this could negatively impact market acceptance of our products and negatively impact our business and operating results. In addition, increased consumer use of downloadable content and online services and the further integration of technological tasks currently requiring several different CE products may negatively affect our CE product distribution business and operating results, as they may reduce consumer demand for having several different electronics devices and other physical products. For example, the popularity of downloadable and online games has increased and continued increases in downloadable and online gaming may result in a reduced level of over-the-counter retail video games sales.

Because we conduct substantial operations in China, risks associated with economic, political and social events in China could negatively affect our business and operating results.

A substantial portion of our IT systems operations, including our IT systems support and software development operations, is located in China. In addition, we also conduct general and administrative activities from our facility in China. As of May 31, 2013, we had approximately 1,000 support personnel located in China. Our operations in China are subject to a number of risks relating to China’s economic and political systems, including:

- a government controlled foreign exchange rate and limitations on the convertibility of the Chinese Renminbi;
- extensive government regulation;
- changing governmental policies relating to tax benefits available to foreign-owned businesses;
- the telecommunications infrastructure;
- a relatively uncertain legal system; and
- uncertainties related to continued economic and social reform.

Our IT systems are an important part of our global operations. Any significant interruption in service, whether resulting from any of the above uncertainties, natural disasters or otherwise, could result in delays in our inventory purchasing, errors in order fulfillment, reduced levels of customer service and other disruptions in operations, any of which could cause our business and operating results to suffer.

We may have higher than anticipated tax liabilities.

We conduct business globally and file income tax returns in various tax jurisdictions. Our effective tax rate could be adversely affected by several factors, many of which are outside of our control, including:

- changes in income before taxes in various jurisdictions in which we operate that have differing statutory tax rates;
- changing tax laws, regulations, and/or interpretations of such tax laws in multiple jurisdictions;
- effect of tax rate on accounting for acquisitions and dispositions;
- issues arising from tax audit or examinations and any related interest or penalties; and
- uncertainty in obtaining tax holiday extensions or expiration or loss of tax holidays in various jurisdictions.

We report our results of operations based on our determination of the amount of taxes owed in various tax jurisdictions in which we operate. The determination of our worldwide provision for income taxes and other tax liabilities requires estimation, judgment and calculations where the ultimate tax determination may not be certain. Our determination of tax liability is always subject to review or examination by tax authorities in various tax jurisdictions. Any adverse outcome of such review or examination could have a negative impact on our operating results and financial condition. The results from various tax examinations and audit may differ from the liabilities recorded in our financial statements and could adversely affect our financial results and cash flows.

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We have pursued and intend to continue to pursue strategic acquisitions or investments in new markets and may encounter risks associated with these activities, which could harm our business and operating results.

We have in the past pursued and in the future expect to pursue acquisitions of, or investments in, businesses and assets in new markets, either within or outside the IT and CE products and services industry, that complement or expand our existing business. Our acquisition strategy involves a number of risks, including:

- difficulty in successfully integrating acquired operations, IT systems, customers, and OEM supplier relationships, products and services and businesses with our operations;
- loss of key employees of acquired operations or inability to hire key employees necessary for our expansion;
- diversion of our capital and management attention away from other business issues;
- increase in our expenses and working capital requirements;
- in the case of acquisitions that we may make outside of the United States, difficulty in operating in foreign countries and over significant geographical distances; and
- other financial risks, such as potential liabilities of the businesses we acquire.

We may incur additional costs and consolidate certain redundant expenses in connection with our acquisitions and investments, which may have an adverse impact on our operating margins. Future acquisitions may result in dilutive issuances of equity securities, the incurrence of additional debt, large write-offs, a decrease in future profitability, or future losses. The incurrence of debt in connection with any future acquisitions could restrict our ability to obtain working capital or other financing necessary to operate our business. Our recent and future acquisitions or investments may not be successful, and if we fail to realize the anticipated benefits of these acquisitions or investments, our business and operating results could be harmed.

Because of the capital-intensive nature of our business, we need continued access to capital, which if not available to us or if not available on favorable terms, could harm our ability to operate or expand our business.

Our business requires significant levels of capital to finance accounts receivable and product inventory that is not financed by trade creditors. If cash from available sources is insufficient, proceeds from our accounts receivable securitization and revolving credit programs are limited or cash is used for unanticipated needs, we may require additional capital sooner than anticipated.

In the event we are required, or elect, to raise additional funds, we may be unable to do so on favorable terms, or at all, and may incur expenses in raising the additional funds. Our current and future indebtedness could adversely affect our operating results and severely limit our ability to plan for, or react to, changes in our business or industry. We could also be limited by financial and other restrictive covenants in securitization or credit arrangements, including limitations on our borrowing of additional funds and issuing dividends. Furthermore, the cost of securitization or debt financing could significantly increase in the future, making it cost prohibitive to securitize our accounts receivable or borrow, which could force us to issue new equity securities. If we issue new equity securities, existing stockholders may experience dilution, or the new equity securities may have rights, preferences or privileges senior to those of existing holders of common stock. If we cannot raise funds on acceptable terms, we may not be able to take advantage of future opportunities or respond to competitive pressures or unanticipated requirements. Any inability to raise additional capital when required could have an adverse effect on our business and operating results.

The terms of our debt arrangements impose significant restrictions on our ability to operate which in turn could negatively affect our ability to respond to business and market conditions and therefore could have an adverse effect on our business and operating results.

As of May 31, 2013, we had $296.7 million in outstanding short and long-term borrowings under term loans, convertible senior notes, lines of credit and capital leases, excluding trade payables. The terms of one or more of the agreements under which this indebtedness was incurred may limit or restrict, among other things, our ability to:

- incur additional indebtedness;

- pay dividends or make certain other restricted payments;
- consummate certain asset sales or acquisitions;
- enter into certain transactions with affiliates; and
- merge, consolidate or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of our assets.

We are also required to maintain specified financial ratios and satisfy certain financial condition tests, including a minimum net worth and a fixed charge coverage ratio as outlined in our senior secured revolving line of credit arrangement. Our inability to meet these ratios and tests could result in the acceleration of the repayment of the related debt, the termination of the facility, the increase in our effective cost of funds or the cross-default of other credit and securitization arrangements. As a result, our ability to operate may be restricted and our ability to respond to business and market conditions may be limited, which could have an adverse effect on our business and operating results.

We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness or we may experience a financial failure, which may hinder the repayment of our convertible debt.

Our ability to make scheduled debt payments or to refinance our debt obligations depends on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We cannot be certain that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets or operations, seek additional capital or restructure or refinance our indebtedness. We cannot be certain that we would be able to take any of these actions, that these actions would be successful and permit us to meet our scheduled debt service obligations or that these actions would be permitted under the terms of our existing or future debt agreements. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. Some of our credit facilities restrict our ability to dispose assets and use the proceeds from the disposition. As such, we may not be able to consummate those dispositions or use any resulting proceeds and, in addition, such proceeds may not be adequate to meet any debt service obligations then due.

If we cannot make scheduled payments on our debt, we will be in default and, as a result:

- our debt holders could declare all outstanding principal and interest to be due and payable;
- the lenders under our credit agreement could terminate their commitments to loan us money and foreclose against the assets securing their borrowings; and
- we could be forced into bankruptcy or liquidation, which is likely to result in delays in the payment of our indebtedness and in the exercise of enforcement remedies related to our indebtedness.

A portion of our revenue is financed by floor plan financing companies and any termination or reduction in these financing arrangements could increase our financing costs and harm our business and operating results.

A portion of our product distribution revenue is financed by floor plan financing companies. Floor plan financing companies are engaged by our customers to finance, or floor, the purchase of products from us. In exchange for a fee, we transfer the risk of loss on the sale of our products to the floor plan companies. We currently receive payment from these financing companies within approximately 15 to 30 days from the date of the sale, which allows our business to operate at much lower relative working capital levels than if such programs were not available. If these floor plan arrangements are terminated or substantially reduced, the need for more working capital and the increased financing cost could harm our business and operating results.

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We have significant credit exposure to our customers, and negative trends in their businesses could cause us significant credit loss and negatively impact our cash flow and liquidity position.

We extend credit to our customers for a significant portion of our sales to them and they have a period of time, generally 30 days after the date of invoice, to make payment. As a result, we are subject to the risk that our customers will not pay on time or at all. The majority of our customers are small and medium sized businesses. Our credit exposure risk may increase due to financial difficulties or liquidity or solvency issues experienced by our customers, resulting in their inability to repay us. The liquidity or solvency issues may increase as a result of an economic downturn or a decrease in IT or CE spending by end-users. If we are unable to collect payments in a timely manner from our customers due to changes in financial or economic conditions, or for other reasons, and we are unable to collect under our credit insurance policies, we may write-off the amount due from the customers. These write-offs may result in more expensive credit insurance and negatively impact our ability to utilize accounts receivable-based financing. These circumstances could negatively impact our cash flow and liquidity position. Further, we are exposed to higher collection risk as we continue to expand internationally, where the payment cycles are generally longer and the credit rating process may not be as robust as in the United States.

In addition, our Mexico operation primarily focuses on various long-term projects with government and other local agencies, which often involve extended payment terms and could expose us to additional collection risks.

We may suffer adverse consequences from changing interest rates.

Our borrowings and securitization arrangements are variable-rate obligations that could expose us to interest rate risks. If interest rates increase, our interest expense would increase, which would negatively affect our net income. An increase in interest rates may increase our future borrowing costs and restrict our access to capital.

Additionally, current market conditions, global economic crisis, and overall credit conditions could limit our availability of capital, which could cause increases in interest margin spreads over underlying indices, effectively increasing the cost of our borrowing. While some of our credit facilities have contractually negotiated spreads, terms such as these are subject to ongoing negotiations.

We are dependent on a variety of IT and telecommunications systems and the Internet, and any failure of these systems could adversely impact our business and operating results.

We depend on IT and telecommunications systems and the Internet for our operations. These systems support a variety of functions including inventory management, order processing, shipping, shipment tracking, billing, and our BPO business.

Failures or significant downtime of our IT or telecommunications systems could prevent us from taking customer orders, printing product pick-lists, shipping products, billing customers and handling call volume. Sales also may be affected if our reseller and retail customers are unable to access our pricing and product availability information. We also rely on the Internet, and in particular electronic data interchange, or EDI, for a large portion of our orders and information exchanges with our OEM suppliers and reseller and retail customers. The Internet and individual websites have experienced a number of disruptions and slowdowns, some of which were caused by organized attacks. In addition, some websites have experienced security breakdowns. If we were to experience a security breakdown, disruption or breach that compromised sensitive information, it could harm our relationship with our OEM suppliers and reseller and retail customers. Disruption of our website or the Internet in general could impair our order processing or more generally prevent our OEM suppliers and reseller and retail customers from accessing information. Our BPO business is dependent upon telephone and data services provided by third party telecommunications service vendors and our IT and telecommunications system. Any significant increase in our IT and telecommunications costs or temporary or permanent loss of our IT or telecommunications systems could harm our relationships with our customers. The occurrence of any of these events could have an adverse effect on our operations and financial results.

We rely on independent shipping companies for delivery of products, and price increases or service interruptions from these carriers could adversely affect our business and operating results.

We rely almost entirely on arrangements with independent shipping companies, such as FedEx and UPS, for the delivery of our products from OEM suppliers and delivery of products to reseller and retail customers. Freight and shipping charges can have a significant impact on our gross margin. As a result, an increase in freight surcharges due to rising fuel cost or general price increases will have an immediate adverse effect on our margins, unless we are able to pass the increased charges to our

reseller and retail customers or renegotiate terms with our OEM suppliers. In addition, in the past, UPS has experienced work stoppages due to labor negotiations with management. An increase in freight or shipping charges, the termination of our arrangements with one or more of these independent shipping companies, the failure or inability of one or more of these independent shipping companies to deliver products, or the unavailability of their shipping services, even temporarily, could have an adverse effect on our business and operating results.

Changes in foreign exchange rates and limitations on the convertibility of foreign currencies could adversely affect our business and operating results.

In both the three and six months ended May 31, 2013, approximately 26% of our total revenue were generated outside the United States. In the three and six months ended May 31, 2012, approximately 28% and 29% of our total revenue, respectively, were generated outside the United States. Most of our international revenue, cost of revenue and operating expenses are denominated in foreign currencies. We presently have currency exposure arising from both sales and purchases denominated in foreign currencies. Changes in exchange rates between foreign currencies and the U.S. dollar may adversely affect our operating margins. For example, if these foreign currencies appreciate against the U.S. dollar, it will make it more expensive in terms of U.S. dollars to purchase inventory or pay expenses with foreign currencies. This could have a negative impact to us if revenue related to these purchases is transacted in U.S. dollars. In addition, currency devaluation can result in a loss to us if we hold deposits of that currency and make our products, which are usually purchased by us with U.S. dollars, relatively more expensive than products manufactured locally. We currently conduct only limited hedging activities, which involve the use of currency forward contracts. Hedging foreign currencies can be risky. There is also additional risk if the currency is not freely or actively traded. Some currencies, such as the Chinese Renminbi, Indian Rupee and Philippines Peso, are subject to limitations on conversion into other currencies, which can limit our ability to hedge or to otherwise react to rapid foreign currency devaluations. We cannot predict the impact of future exchange rate fluctuations on our business and operating results.

Because of the experience of our key personnel in the IT and CE industries and their technological and industry expertise, if we were to lose any of our key personnel, it could inhibit our ability to operate and grow our business successfully.

We are dependent in large part on our ability to retain the services of our key senior executives and other technological and industry experts and personnel. Except for Kevin Murai, our President and Chief Executive Officer, our employees and executives generally do not have employment agreements. Furthermore, we do not carry “key person” insurance coverage for any of our key executives. We compete for qualified senior management and technical personnel. The loss of, or inability to hire, key executives or qualified employees could inhibit our ability to operate and grow our business successfully.

We may experience theft of product from our warehouses, water damage to our properties and other casualty events which could harm our operating results.

From time to time, we have experienced incidents of theft at various facilities, water damages to our properties and other casualty events. These types of incidents may make it more difficult or expensive for us to obtain insurance coverage in the future. Also, the same or similar incidents may occur in the future for which we may not have sufficient insurance coverage or policy limits to be fully compensated for the loss, which may have an adverse effect on our business and financial results. For example, in fiscal year 2010, we experienced a loss of product as a result of a train derailment.

We may become involved in intellectual property or other disputes that could cause us to incur substantial costs, divert the efforts of our management, and require us to pay substantial damages or require us to obtain a license, which may not be available on commercially reasonable terms, if at all.

From time to time, we receive notifications alleging infringements of intellectual property rights allegedly held by others relating to our business or the products we sell or assemble for our OEM suppliers and others. Litigation with respect to patents or other intellectual property matters could result in substantial costs and diversion of management and other resources and could have an adverse effect on our business. Although we generally have various levels of indemnification protection from our OEM suppliers and contract assembly services customers, in many cases any indemnification to which we may be entitled is subject to maximum limits or other restrictions.

In addition, we have developed proprietary IT systems, mobile applications, and cloud-based technology and acquired GBS related renewals technology that play an important role in our business. If any infringement claim is successful against us and if indemnification is not available or sufficient, we may be required to pay substantial damages or we may need to seek and obtain a license of the other party's intellectual property rights. We may be unable to obtain such a license on commercially reasonable terms, if at all.

We are from time to time involved in other litigation in the ordinary course of business. We may not be successful in defending these or other claims. Regardless of the outcome, litigation could result in substantial expense and could divert the efforts of our management.

We have significant operations concentrated in North America, Central America, Asia and Europe and any disruption in the operations of our facilities could harm our business and operating results.

Our worldwide operations could be subject to natural disasters, adverse weather conditions and other business disruptions, which could seriously harm our revenue and financial condition and increase our costs and expenses. We have significant operations in our facilities located in North America, Central America, Asia and Europe. As a result, any prolonged disruption in the operations of our facilities, whether due to technical difficulties, power failures, break-ins, destruction or damage to the facilities as a result of a natural disaster, fire or any other reason, could harm our operating results. If there are related disruptions in local or international supply chains, we may experience supply shortages or delays in receiving products from our OEM suppliers or experience other delays in shipping to our customers. If we are unable to fulfill customer orders in a timely manner, this could harm our operating results. For example, in March 2011, Japan experienced a 9.0 magnitude earthquake followed by tsunami waves and aftershocks. These events affected the infrastructure in the country, caused power outages and have temporarily disrupted the local and international, supply chains for some vendors. Our facilities in Japan suffered nominal inventory and facility damages. We expect our operations in Japan will continue to be affected by the continuing consequences of such natural disasters. In addition, our Philippines operation is at greater risk due to adverse weather conditions, such as typhoons, mudslides and floods. We currently do not have a formal disaster recovery plan and may not have sufficient business interruption insurance to compensate for losses that could occur.

Global health and economic, political and social conditions may harm our ability to do business, increase our costs and negatively affect our stock price.

Worldwide economic conditions have experienced significant volatility due to the credit conditions impacted by the subprime mortgage crisis and other factors, including slower economic activity which may impact our results of operations. External factors, such as potential terrorist attacks, acts of war, geopolitical and social turmoil or epidemics and other similar outbreaks in many parts of the world, could prevent or hinder our ability to do business, increase our costs and negatively affect our stock price, which in turn, may require us to record an impairment in the carrying value of our goodwill. More generally, these geopolitical social and economic conditions could result in increased volatility in the United States and worldwide financial markets and economy. For example, increased instability may adversely impact the desire of employees and customers to travel, the reliability and cost of transportation and our ability to obtain adequate insurance at reasonable rates and may require us to incur increased costs for security measures for our domestic and international operations. We are predominantly uninsured for losses and interruptions caused by terrorism, acts of war and similar events. These uncertainties make it difficult for us and our customers to accurately plan future business activities. While general economic conditions have recently begun to improve, there is no assurance that this trend will continue or at what rate.

Part of our business is conducted outside of the United States, exposing us to additional risks that may not exist in the United States, which in turn could cause our business and operating results to suffer.

We have international operations which are subject to risks, including:

- political or economic instability;
- extensive governmental regulation;
- changes in import/export duties;
- trade restrictions;
- compliance with the Foreign Corrupt Practices Act, U.K. bribery laws and similar laws;
- difficulties and costs of staffing and managing operations in certain foreign countries;

- work stoppages or other changes in labor conditions;
- difficulties in collecting of accounts receivable on a timely basis or at all;
- taxes; and
- seasonal reductions in business activity in some parts of the world.

We may continue to expand internationally to respond to competitive pressure and customer and market requirements. Establishing operations in any other foreign country or region presents risks such as those described above as well as risks specific to the particular country or region. In addition, until a payment history is established over time with customers in a new geography or region, the likelihood of collecting accounts receivable generated by such operations could be less than our expectations. As a result, there is a greater risk that reserves set with respect to the collection of such accounts receivable may be inadequate. In addition, our Mexico operation primarily focuses on various long-term projects with government and other public agencies that involve extended payment terms and could expose us to additional collection risks. Furthermore, if our international expansion efforts in any foreign country are unsuccessful, we may decide to cease operations, which would likely cause us to incur additional expense and loss.

In addition, changes in policies or laws of the United States or foreign governments resulting in, among other things, higher taxation, currency conversion limitations, restrictions on fund transfers or the expropriation of private enterprises, could reduce the anticipated benefits of our international expansion. Any actions by countries in which we conduct business to reverse policies that encourage foreign trade or investment could adversely affect our business. If we fail to realize the anticipated growth of our future international operations, our business and operating results could suffer.

Our investments in our BPO business could adversely affect our operating results as a result of operation execution risks related to managing and communicating with remote resources, technologies, customer satisfaction and employee turnover.

Our BPO business in Costa Rica, India and the Philippines may be adversely impacted if we are unable to manage and communicate with these remote resources. Service quality may be placed at risk and our ability to optimize our resources may be more complicated if we are unable to manage our resources remotely. BPO businesses use a wide variety of technologies to allow them to manage a large volume of work. These technologies ensure that employees are kept productive. Any failure in technology may impact the business adversely. The success of our BPO business primarily depends on performance of our employees and resulting customer satisfaction. Any increase in average waiting time or handling time or lack of promptness or technical expertise of our employees will directly impact customer satisfaction. Any adverse customer satisfaction may impact the overall business. Generally, the employee turnover rate in the BPO business and the risk of losing experienced employees to competitors are high. Higher turnover rates increase recruiting and training costs and decrease operating efficiencies and productivity. If we are unable to successfully manage our service centers, our results of operations could be adversely affected and we may not fully realize the anticipated benefits of our recent acquisitions.

Risks Related to Our Relationship with MiTAC International Corporation

As of May 31, 2013, our executive officers, directors and principal stockholders owned approximately 30% of our common stock and this concentration of ownership could allow them to influence all matters requiring stockholder approval and could delay or prevent a change in control of SYNNEX.

As of May 31, 2013, our executive officers, directors and principal stockholders owned approximately 30% of our outstanding common stock. In particular, MiTAC International and its affiliates owned approximately 27% of our common stock.

In addition, MiTAC International's interests and ours may increasingly conflict. For example, until July 2010, we relied on MiTAC International for certain manufacturing and supply services and for relationships with certain key customers. In July 2010, we announced that we had signed a definitive sales agreement to sell certain assets related to our contract assembly business to MiTAC International. The transaction included the sale of inventory and customer contracts, primarily related to customers then being jointly serviced by MiTAC International and us. Also, as part of the transaction, we provided MiTAC International with certain transition services for the business on a fee basis over the next several quarters. Since completion of

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the transition services, we no longer jointly service any current customers with MiTAC International. In addition, we may not solicit the same contract assembly customers in the future.

There could be potential conflicts of interest between us and MiTAC International and its affiliates, which could impact our business and operating results.

MiTAC International's and its affiliates' continuing beneficial ownership of our common stock could create conflicts of interest with respect to a variety of matters, such as potential acquisitions, competition, issuance or disposition of securities, election of directors, payment of dividends and other business matters. Similar risks could exist as a result of Matthew Miau's positions as our Chairman Emeritus, the Chairman of MiTAC International and as a director or officer of MiTAC International's affiliates. For fiscal year 2012, Mr. Miau received the same compensation as our independent directors. For fiscal year 2013, Mr. Miau will receive the same compensation as our independent directors. Mr. Miau's compensation as one of our directors is based upon the approval of the Nominating and Corporate Governance Committee, which is solely composed of independent members of the Board. We also have adopted a policy requiring material transactions in which any of our directors has a potential conflict of interest to be approved by our Audit Committee, which is also composed of independent members of the Board.

Synnex Technology International Corp., or Synnex Technology International, a publicly-traded company based in Taiwan and affiliated with MiTAC International, currently provides distribution and fulfillment services to various markets in Asia and Australia, and is also a potential competitor of ours. As of May 31, 2013, MiTAC Incorporated, a privately-held company based in Taiwan and a separate entity from MiTAC International, directly and indirectly owned approximately 13.6% of Synnex Technology International and approximately 8.0% of MiTAC International. As of May 31, 2013, MiTAC International directly and indirectly owned 0.1% of Synnex Technology International and Synnex Technology International directly and indirectly owned approximately 0.9% of MiTAC International. In addition, MiTAC International directly and indirectly owned approximately 8.7% of MiTAC Incorporated and Synnex Technology International directly and indirectly owned approximately 18.4% of MiTAC Incorporated as of May 31, 2013. Synnex Technology International indirectly through its ownership of Peer Developments Limited owned approximately 11.4% of our outstanding common stock as of May 31, 2013. Neither MiTAC International, nor Synnex Technology International is restricted from competing with us. In the future, we may increasingly compete with Synnex Technology International, particularly if our business in Asia expands or Synnex Technology International expands its business into geographies or customers we serve. Although Synnex Technology International is a separate entity from us, it is possible that there will be confusion as a result of the similarity of our names. Moreover, we cannot limit or control the use of the Synnex name by Synnex Technology International in certain geographies and our use of the Synnex name may be restricted as a result of registration of the name by Synnex Technology International or the prior use in jurisdictions where it currently operates.

Risks Related to Our Industry

Volatility in the IT and CE industries could have a material adverse effect on our business and operating results.

The IT and CE industries in which we operate have experienced decreases in demand. Softening demand for our products and services caused by an ongoing economic downturn and over-capacity may impact our revenue, as well the salability of inventory and collection of reseller and retail customer accounts receivable.

While in the past, we may have benefited from consolidation in our industry resulting from delays or reductions in IT or CE spending in particular, and economic weakness in general, any such volatility in the IT and CE industries could have an adverse effect on our business and operating results.

Our business may be adversely affected by some OEM suppliers' strategies to increase their direct sales, which in turn could cause our business and operating results to suffer.

Consolidation of OEM suppliers has resulted in fewer sources for some of the products and services that we distribute. This consolidation has also resulted in larger OEM suppliers that have significant operating and financial resources. Some OEM suppliers, including some of the leading OEM suppliers that we service, have been selling products and services directly to reseller and retail customers and end-users, thereby limiting our business opportunities. If large OEM suppliers increasingly sell directly to end-users or our resellers and retailers, rather than use us as the distributor of their products and services, our business and operating results will suffer.

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OEMs could limit the number of supply chain service providers with which they do business, which in turn could negatively impact our business and operating results.

A determination by any of our primary OEMs to consolidate their business with other distributors or contract assemblers could negatively affect our business and operating results. In particular, the termination of our contract by HP would have a significant negative effect on our revenue and operating results. For example, in fiscal year 2008, IBM consolidated its business with distributors, including SYNNEX, and, as a result, we no longer distribute certain IBM products and services.

The IT and CE industries are subject to rapidly changing technologies and process developments, and we may not be able to adequately adjust our business to these changes, which in turn would harm our business and operating results.

Dynamic changes in the IT and CE industries, including the consolidation of OEM suppliers and reductions in the number of authorized distributors used by OEM suppliers, have resulted in new and increased responsibilities for management personnel and have placed, and continue to place, a significant strain upon our management, operating and financial systems and other resources. We may be unable to successfully respond to and manage our business in light of industry developments and trends. Also crucial to our success in managing our operations is our ability to achieve additional economies of scale. Our failure to achieve these additional economies of scale or to respond to changes in the IT and CE industries could adversely affect our business and operating results.

We are subject to intense competition in the distribution and BPO businesses, both in the United States and internationally, and if we fail to compete successfully, we will be unable to gain or retain market share.

We operate in a highly competitive environment, both in the United States and internationally. The IT and CE product and service distribution, BPO and contract assembly services industries are characterized by intense competition, based primarily on product and service availability, credit availability, price, speed of delivery, ability to tailor specific solutions to customer needs, quality and depth of product and service lines, pre-sales and post-sales technical support, flexibility and timely response to design changes, and technological capabilities, service and support. We compete with a variety of regional, national and international IT and CE product and service distributors and contract manufacturers and assemblers. In some instances, we also compete with our own customers, our own OEM suppliers and MiTAC International and its affiliates.

Our primary competitors are substantially larger and have greater financial, operating, manufacturing and marketing resources than us. Some of our competitors may have broader geographic breadth and range of services than us and may have more developed relationships with their existing customers. We may lose market share in the United States or in international markets, or may be forced in the future to reduce our prices in response to the actions of our competitors and thereby experience a reduction in our gross margins.

In addition, in our contact center business, we also face competition from our customers. For example, some of our customers may have internal capabilities and resources to provide their own call centers. Furthermore, pricing pressures and quality of services could impact our business adversely. Our ability to provide a high quality of service is dependent on our ability to retain and properly train our employees and to continue investing in our infrastructure, including IT and telecommunications systems.

We may initiate other business activities, including the broadening of our supply chain capabilities, and may face competition from companies with more experience in those new areas. In addition, as we enter new areas of business, we may also encounter increased competition from current competitors or from new competitors, including some that may once have been our OEM suppliers or reseller and retail customers. Increased competition and negative reaction from our OEM suppliers or reseller and retail customers resulting from our expansion into new business areas could harm our business and operating results.

Compliance with changing regulation of corporate governance and public disclosure may result in additional expense and affect our operations.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Dodd-Frank Wall Street Reform and Consumer Protection Act, SEC regulations and New York Stock Exchange, or NYSE, rules, are creating uncertainty for companies such as ours. These new or changed laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and corporate governance practices. As a result, our efforts to comply with evolving laws, regulations and standards have resulted in, and are likely to continue to result in, increased general and administrative expense and a diversion of management time and attention from revenue-generating activities to compliance activities. For example, from fiscal year 2011, we are incurring additional expense related to SEC compliance with XBRL-tagged interactive data-files. If our efforts to comply with new or changed laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, our reputation may be harmed.

The Dodd-Frank Wall Street Reform and Consumer Protection Act directed the SEC to implement disclosure requirements concerning public companies' use and sourcing of “conflict minerals” mined in the Democratic Republic of Congo and adjoining countries. The SEC rules issued in August 2012 necessitate a complex compliance process and related administrative expense for a company once it determines a conflict mineral is necessary to the functionality or production of a product that the company manufactures or contracts to manufacture. Such companies must then conduct a reasonable country of origin inquiry to determine if the conflict minerals originated in the covered countries and undertake due diligence on the source and chain of custody in order to file a conflict minerals report with the SEC. In addition to the increased administrative expense and management involvement for our company as we navigate the aspects of the new requirements that apply to us, we may face a limited pool of suppliers who can provide us “conflict-free” components, parts and manufactured products, and we may not be able to obtain conflict-free products or supplies in sufficient quantities or at competitive prices for our operations or to the extent requested by any reseller customers and their stakeholders, even if the SEC disclosure requirements do not apply to us or to those customers regarding those products. Also, since our supply chain is complex, we may face reputational challenges with our customers, stockholders and other stakeholders if we are unable to sufficiently verify the origins for any conflict minerals used in the products that we sell.

If we are unable to maintain effective internal control over financial reporting, our ability to report our financial results on a timely and accurate basis may be adversely affected, which in turn could cause the market price of our common stock to decline.

Section 404 of the Sarbanes-Oxley Act of 2002 requires our management to report on, and our independent registered public accounting firm to attest to, the effectiveness of our internal control structure and procedures for financial reporting. We completed an evaluation of the effectiveness of our internal control over financial reporting for fiscal year 2012, and we have an ongoing program to perform the system and process evaluation and testing necessary to continue to comply with these requirements. In the past, however, our internal controls have not eliminated all error. We expect to continue to incur increased expense and to devote additional management resources to Section 404 compliance. In the event that one of our Chief Executive Officer, Chief Financial Officer or independent registered public accounting firm determines that our internal control over financial reporting is not effective as defined under Section 404, investor perceptions and our reputation may be adversely affected and the market price of our stock could decline.

Changes to financial accounting standards may affect our results of operations and cause us to change our business practices.

We prepare our financial statements to conform to generally accepted accounting principles in the United States. These accounting principles are subject to interpretation by the Financial Accounting Standards Board, American Institute of Certified Public Accountants, the SEC and various bodies formed to interpret and create appropriate accounting policies. A change in those policies can have a significant effect on our reported results and may affect our reporting of transactions completed before a change is announced. Changes to those rules or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Repurchases of Equity Securities

The following table presents information with respect to purchases of common stock by us during the quarter ended May 31, 2013:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
March 1, 2013 - March 31, 2013	—	—	—	$55,438,710
April 1, 2013 - April 30, 2013	—	—	—	$55,438,710
May 1, 2013 - May 31, 2013	51,700	$34.40	361,451	$53,660,158

(1)The purchases were made pursuant to the repurchase program that was announced on June 28, 2011. Our Board of Directors approved an anti-dilution share repurchase program where we may purchase up to $65 million of our Common Stock over a period of up to three years for the purpose of mitigating or reducing the dilution resulting from the various employee stock incentive and employee stock purchase programs. Any stock repurchases may be made through open market or privately negotiated transactions, at times and in such amounts as management deems appropriate, including pursuant to one or more Rule 10b5-1 trading plans adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934.

ITEM 6. Exhibits

Exhibit Number	Description of Document
31.1	Rule 13a-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a) Certification of Chief Financial Officer.
32.1*	Statement of the Chief Executive Officer and Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350).
101.INS**	XBRL Instance Document.
101.SCH**	XBRL Taxonomy Extension Schema Document.
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document.

* In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release Nos. 33-8238 and 34-47986, Final Rule: Management’s Reports on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, the certifications furnished in Exhibit 32.1 hereto are deemed to accompany this Form 10-Q and will not be deemed “filed” for purpose of Section 18 of the Exchange Act. Such certifications will not be deemed to be

incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

**Furnished herewith. In accordance with Rule 406T of Regulation S-T, the information in these exhibits shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to liability under that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act, except as expressly set forth by specific reference in such filing.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: July 8, 2013

SYNNEX CORPORATION

By: /s/ Kevin M. Murai
Kevin M. Murai
President and Chief Executive Officer
(Duly authorized officer and principal executive officer)

By: /s/ Marshall W. Witt
Marshall W. Witt
Chief Financial Officer
(Duly authorized officer and principal financial officer)

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